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EVALUATION OF MAJOR DEVELOPMENTS IN THE AREA OF ECONOMIC COOPERATION AMONG DEVELOPING COUNTRIES, INCLUDING IMPLICATIONS OF THE URUGUAY ROUND RESULTS ON ECDC ARRANGEMENTS AND REGULAR CONSULTATIONS, TECHNICAL SUPPORT, ASSISTANCE AND SKILL DEVELOPMENT

Report by the UNCTAD secretariat

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Abbreviations

ACU	Asian Clearing Union
ACS	Association of Caribbean States
APCTT	Asian and Pacific Centre for Transfer and Technology
ASEAN	Association of South-East Asian Nations
BA	Bangkok Agreement
CACM	Central American Common Market
CARICOM	Caribbean Community
CEMAC	Economic and Monetary Community of Central Africa
COMESA	Common Market for Eastern and Southern Africa
DAC	Development Assistance Committee
ECA	East African Community
ECCAS	Economic Community of Central African States
ECLAC	Economic Commission for Latin American Countries
ECO	Economic Cooperation Organization
ECOWAS	Economic Community of West African States
ECDC	Economic Cooperation among Developing Countries
ESCAP	Economic and Social Commission for Asia and the Pacific
FEDEPRICAP	Federation of Private Enterprises
GCC	Cooperation Council of the Arab States of the Gulf
GNP	Gross National Product
GSP	Generalized System of Preferences
GSTP	Global System of Trade Preferences
IGGE	Inter-Governmental Group of Experts
ITC	International Trade Centre UNCTAD/GATT
LAC	Latin American and the Caribbean
LAIA	Latin American Integration Association
MERCOSUR	Southern Cone Common Market
MSG	Melanesian Spearhead Group
MFA	Multi-Fibre Agreement
NTB	Non-tariff barrier
OAU	Organization for African Unity
ODA	Official Development Assistance
ODF	Official Development Finance
PTA	Preferential Trade Area for Eastern and Southern African States
PROEXCA	Promociones Exteriores Canarias
R&D	Research and development
SICA	Central American Economic System
SADC	Southern African Development Community
SAARC	South Asian Association for Regional Cooperation
UMA	Arab Maghreb Union
UMEOA	West African Economic and Monetary Union
UDEAC	Central African Customs and Economic Union
UNDP	United Nations Development Programme
WACH	West African Clearing House
WAMA	West African Monetary Agency

INTRODUCTION AND SUMMARY

1. In accordance with the agreed provisional agenda for the third session of the Standing Committee on Economic Cooperation among Developing Countries (ECDC),[1] this report attempts to evaluate major developments in the area of ECDC, including implications of the results of the Uruguay Round of Multilateral Trade Negotiations on ECDC arrangements, and regular consultations, technical support, assistance and skill development.[2] It is recalled that the deliberations of the Standing Committee, as reflected in its report, will be submitted to an intergovernmental meeting of experts in New York in 1995 in accordance with General Assembly resolution 49/96 relating to a proposed United Nations Conference on South-South cooperation.

2. The assessment of ECDC developments in chapter I of this report provides a generally positive picture of ECDC. One common thread running through recent ECDC is **"open and flexible"** cooperation, fully compatible with globalization and liberalization of the international economy. Another common thread is the adaptation of ECDC agreements, programmes and institution so as to accommodate the changing general environment and policy directions. However, the chapter also points to the need for improvement in the implementation of decisions and commitments at the national level. Another problem which may arise is that of the overlapping of jurisdictions and mandates of cooperation schemes in the same region. It is hoped that this assessment would enable policy-makers to draw policy conclusions from various experiences, in order to strengthen the ECDC process, in general, and enhance its consideration by the intergovernmental machinery of UNCTAD, in particular.

3. **"Open and flexible"** ECDC creates an evident interaction with the multilateral trading rules and framework set in place by the conclusion of the Uruguay Round. Following the decision by the Standing Committee, at its second session, the report examines, in chapter II, the implications for ECDC of the Round's results, raising issues that the Standing Committee may wish to reflect upon or reexamine, as well as the issues that may concern developing countries as a whole and could be tackled through existing ECDC mechanisms or *ad hoc* alliances among developing countries.

4. In the area of regular consultations, the Standing Committee, at its second session, endorsed the recommendations contained in the report of the Intergovernmental Group of Experts on ECDC.[3] Chapter III covers some of the follow-up to the recommendations of the Intergovernmental Group of Experts and to the second session of the Standing Committee, setting out concrete suggestions with respect to the areas and manner in which all the parties to the dialogue - developing countries, ECDC entities and donors - may initiate their work through this framework of regular consultations.

5. Finally, the report provides, in chapter IV, a review of technical assistance activities by the UNCTAD secretariat along with proposals for further improvement, for consideration by the Standing Committee in the light of the mandate set out in its work programme.

Chapter I

EVALUATION OF MAJOR DEVELOPMENTS IN THE AREA OF ECONOMIC COOPERATION AMONG DEVELOPING COUNTRIES

A. General developments

6. ECDC processes are increasingly embracing market-based considerations of economic efficiency. New policy measures and approaches, particularly in respect of regional/subregional integration, emphasize: (a) the enlargement of domestic market size through the formation of free trade areas and customs unions; (b) trade expansion, particularly through export promotion and joint production and investment cooperation; (c) improvement of competitiveness of production through exploitation of economies-of-scale arising from enlarged markets, and through changing patterns of production and specialization; and (d) cooperation and coordination in dealing with and exerting influence on global trade issues such as those emanating from the results of the Uruguay Round, as well as the defense of interests vis-à-vis other regional trade blocs. Examples abound of recent initiatives to strengthen production, trade and investment cooperation through deeper integration (section B of this chapter). At the interregional level, the second round of negotiations under the Global System of Trade Preferences among Developing Countries (GSTP) has entered into its active phase.

7. New initiatives for free trade and investment involving developed and developing countries are also being considered and endorsed in all regions. This is in many instances a manifestation of the new trend towards **"open and flexible ECDC"**. For instance, the 34 Heads of State and Government attending the summit of the Americas in Miami (United States) in December 1994 had agreed to create a free trade area encompassing the entire hemisphere. The technical negotiations on the free trade area started in January 1995, and the process is expected to culminate with the signing of an agreement by the year 2005. This hemispheric agreement would build upon existing free trade agreements such as the North America Free Trade Area (NAFTA). Regarding NAFTA, agreement was reached among the countries concerned on widening the membership to include Chile.

8. The on-going peace process in the Middle East had facilitated the convening of an economic summit in Casablanca in November 1994. The summit, which was attended by political and business leaders from the Middle East and North Africa, ended with the adoption of a declaration pledging Governments: to build the foundations of an economic community based on free movement of goods, services and labour; to establish a tourist board; and to study the establishment of a development bank. Another event involving some of the same countries was the Afro-Arab trade fair, first held in 1994. The second fair is scheduled to be held in December 1995 in South Africa.

9. In November 1994, the summit of the Asia Pacific Economic Cooperation (APEC) in Bogor, Indonesia, decided to move towards free and open trade and investment by the year 2000. The European Union and selected countries in the Maghreb and the Persian Gulf have discussed the creation of free trade agreements to expand mutual trade. Similarly, the Commonwealth of Independent States (CIS) adopted recently agreements on the establishment of a free trade area and a payments union to promote the development of their trade.

10. ECDC has been strengthened by moves towards *de facto* regional integration, among border regions of neighbouring countries. For example, in South-East Asia the effective exploitation of subregional and intra-regional complementarities has resulted in the emergence of several "growth triangles", where surplus capital from relatively developed economies complements surplus skilled labour in neighbouring economies to generate production of exportable products at competitive prices. These include the triangle consisting of Singapore, the Malaysian State of Johore and the Riau Islands of Indonesia ("Southern Triangle"), and the triangle consisting of China, Hong Kong and Taiwan Province of China. The formation of several other triangles is also under consideration.

This development may be of interest to other regions and countries with border areas that are natural integration areas.

11. In Latin America and the Caribbean, **"open regionalism"** is construed as a process whereby regional integration policies and plans are designed to fit in with the national policies and plans of member States, aiming at participation in world markets. The process of open regionalism displays such characteristics as: trade and financial liberalization through the gradual reduction of barriers; transparent and non-discriminate application of trade rules; broad sectoral market liberalization; flexible membership criteria; suitable payments and trade promotion; development of regional infrastructure and promotion of scientific and technological cooperation.[4] For example, the "Strategic Design for the Orientation of the Andean Group" adopted by its member States, embraces the twin objectives of consolidating the Andean internal economic space and improving the Group's integration into the world economy. Specific measures include: effective market integration; improved transport and communications; production integration; scientific and technological development; increasing capital flows; factor mobility and the establishment of common positions on international issues; and the advancement of regional unity. Similar measures are being implemented by other groupings as, for example, MERCOSUR. As regards the flexible membership criterion, less emphasis is placed on geographic proximity and more on creating **"viable economic spaces"**. The Group of 15 is an example of such selective approach. NAFTA and APEC are examples of groups with mixed levels of development.

12. Yet another prominent characteristic of ECDC in the 1990s is the steady, and in some cases significant, increase in trade among developing countries. Table I shows that between 1990 and 1992 inter-developing country trade increased by 18.4 per cent on average per annum while the same rate for global trade was 4.3 per cent. Thus its share in global trade increased from 7.5 per cent in 1990 to 9.7 per cent in 1992. This upward trend is sustained by growing inter- and intra-regional trade, although the latter is more dynamic.

13. While ECDC is undergoing fundamental revival, its success (or failure) depends, to a large extent, on developing countries and their ECDC organizations. On the part of countries, a primary challenge is the improvement of implementation of ECDC decisions and programmes. Past experience reveals that in some groupings significant progress has been achieved towards declared objectives and member States have made major contributions. In other groupings there is rising concern over the slow implementation and lack of substantial progress. This has bred awareness about changing the legal and institutional framework of cooperation. Thus the Economic Community of West African States (ECOWAS) reviewed its original treaty and adopted a revised treaty providing a new framework for cooperation and integration. Similarly, the Caribbean Community (CARICOM) had identified the non-implementation of decisions at the national level as the "Achilles heel" of its integration process and so initiated a series of changes to address the problem, including a restructuring of the institutional machinery.

14. With a view to assisting policy-makers in appraising the issues of national implementation, the UNCTAD secretariat carried out case studies on Malaysia, Venezuela and Zimbabwe.[5] These studies and other available information show that notwithstanding the impressive performance of the three countries in respect of ECDC and the fact that many developing countries members of the Group of 77 have established a National Focal Point for ECDC, there is generally no established institutional framework specifically entrusted with the task of managing ECDC. This deficiency is often compounded by the absence of a clearly articulated national policy on ECDC. A coherent national policy would enhance the managerial capability on ECDC within government and could enable developing countries to take maximum advantage of their participation in ECDC, and speed up the implementation of relevant decisions and programmes. Such policy and machinery could deal with coordination, monitoring, following up, evaluation and reporting on decision-making and on implementation; and also highlight the consideration of policy issues in the subregional, regional and interregional cooperation and integration.

Table I: Inter-developing country trade by regions, 1970-1992
(millions of US dollars)

Destination (importing to)

Origin (exporting from) Developing		Developing					World
		Africa	America	Asia	Oceania	Total	
Africa	1970	672	236	494	2	1 494	12 021
	1980	2 978	5 879	3 264	1	12 962	94 942
	1986	2 821	1 374	2 598	3	7 356	46 829
	1990	3 933	708	3 624	4	8 764	66 698
	1991	4 867	1 032	3 768	4	10 145	70 092
	1992	5 229	1 211	3 504	7	9 950	70 120
America	1970	119	3 029	303	8	3 519	17 513
	1980	2 399	22 985	3 763	108	29 645	107 879
	1986	1 706	14 903	5 187	12	22 037	86 045
	1990	1 948	18 174	8 145	32	28 566	133 596
	1991	1 647	23 139	8 866	54	33 886	136 644
	1992	1 907	28 941	9 299	33	40 181	135 429
Asia	1970	895	507	6 115	89	7 735	27 126
	1980	8 894	15 764	84 389	682	110 980	372 915
	1986	7 232	10 394	94 184	585	113 489	306 246
	1990	12 843	9 653	191 008	1 110	215 801	557 249
	1991	15 670	12 460	231 037	1 178	261 110	620 861
	1992	12 682	16 411	276 616	1 169	306 878	700 240
Oceania	1970	0	0	3	7	10	482
	1980	0	6	143	83	232	2 184
	1986	1	1	269	102	372	2 121
	1990	1	3	330	171	504	2 821
	1991	1	3	442	174	620	3 317
	1992	0	0	433	93	526	3 240
Total	1970	1 746	3 794	7 022	105	12 948	58 822
	1980	15 007	44 698	92 414	876	155 477	586 898
	1986	12 340	26 826	103 188	702	144 941	451 538
	1990	19 439	28 648	204 161	1 318	255 514	774 756
	1991	22 660	36 707	244 811	1 410	307 008	840 463
	1992	20 075	46 632	290 445	1 303	358 456	922 981
World	1970	11 836	18 617	28 486	738	62 785	311 905
	1980	84 367	126 105	270 078	2 994	504 035	2 000 949
	1986	60 525	97 984	298 552	3 147	481 799	2 112 988
	1990	81 938	132 109	527 876	5 036	772 724	3 391 906
	1991	81 869	150 012	599 071	5 153	850 442	3 438 566
	1992	82 803	177 717	689 891	5 371	955 783	3 685 967

Source: UNCTAD secretariat calculations based on data from UNSTAT.

15. Finally, there is renewed interest on the part of the international community in highlighting the relevance of ECDC in multilateral development cooperation. For example, the declaration adopted by the Eighteenth Annual Ministerial Meeting of the Group of 77 in New York, on 30 September 1994, called upon, *inter alia*, the United Nations to consider the convening of a global conference on South-South cooperation in 1996. Another important action which took place on the occasion of the Group of 77 Ministerial Meeting was the signing by more than 30 Ministers of the intergovernmental agreement establishing the South Centre as a permanent institution. The Development Assistance Committee of the OECD/World Bank/UNDP Seminar, held in Paris in June 1994, also called for increased emphasis on South-South cooperation for improving the effectiveness of multilateral technical cooperation.

B. Regional developments

1. Africa

16. The conclusion of the Uruguay Round in December 1993 and the devaluation of the CFA (*Communauté financère africaine*) franc in January 1994 are two important recent policy developments affecting the region. The improvement of regional cooperation and integration is an integral element of the measures which could enable African economies to face these challenges and take advantage of the opportunities in the new trade environment. The set of recommendations evaluating the implications of the Uruguay Round, adopted by the African Ministers of Trade on the occasion of the international conference on the Uruguay Round and the African economies in Tunisia in October 1994, stressed, *inter alia*, that regional cooperation should be strengthened to buttress national efforts to promote the diversification of production, to facilitate the expansion of trade, and to monitor the results of the Round. The process of strengthening regional cooperation is manifested in various changes including a restructuring of existing cooperation groupings and expanding the scope of cooperation (as detailed below). Underpinning the recent integration efforts in Africa is the ongoing work on the creation of the African Economic Community which has been launched with the entry into force of the Abuja Treaty.

Table II: Intra-regional and intra-group trade in Africa

Country group	Intra-group trade (millions of US$) 1990	1991	1992	Intra-trade/world (percentage share) 1990	1991	1992
Africa*	3933	4867	5229	5.9	6.9	7.5
UMA	727	772	945	2.3	2.4	3.0
UDEAC	139	111	120	2.4	1.9	2.1
ECCAS	171	146	158	2.3	1.9	2.1
ECOWAS	1470	1425	1567	8.3	9.1	7.8
PTA	662	642	707	6.6	6.5	6.7
SADC	360	303	333	5.2	4.4	4.4

Source: "Handbook of international trade and development statistics, 1993" (United Nations publication, sales no. E/F.94.II.D.24), table 1.13.
Note: *UNCTAD secretariat calculations based on data from UNSTAT.

17. Leading to and following the devaluation of the CFA franc, proposals for the strengthening of economic integration among CFA zone countries were concretized under two strands. In West Africa, a new group, the West African Economic and Monetary Union (UMEOA) was created in March 1994 by Benin, Burkina Faso, Côte d'Ivoire, Mali, Mauritania, Niger, Senegal and Togo. The UMEOA replaces the West African Economic Community and the West African Monetary Union. The executive secretariat of UMEOA was formally established on 30 January 1995. Similarly, in Central Africa, the member States of Central African Customs and Economic Union (UDEAC) signed a treaty in March 1994 creating the Economic and Monetary Community of Central Africa (CEMAC).

18. The PTA and the SADCC were transformed into development communities wherein trade and investment was given a central role. SADCC has now been replaced by the Southern African Development Community (SADC) while PTA was dissolved on 8 December 1994 when the Common Market for Eastern and Southern Africa (COMESA) was formally established.[6] Zaire, which had not been a member of the PTA, acceded to the treaty establishing COMESA. In this subregion, Kenya, United Republic of Tanzania and Uganda had created in 1993 the East African Community (EAC). One year later, in November 1994, a protocol was signed by the Heads of Government of the three member States for the setting up of a secretariat in Arusha.

19. These various developments indicate a measure of institutional realignment infusing more flexibility into the approach of cooperative groupings. This process requires, in addition, a reconsideration of some of the overlapping jurisdictions with a view to rationalizing the scope, functions and aims of the groupings. This is a prerequisite for attracting external help and for evolving the various groupings into more advanced and deeper cooperation forms.

20. An important objective of subregional integration groupings such as ECOWAS, PTA and SADC has been the creation and expansion of trade among member States. The intra-trade of the majority of these groupings, however, has been characterized by low volumes and weak growth (see table II). If intra-group trade is to become a dynamic element of cooperation, greater efforts are needed on the part of member States in trade liberation, trade facilitation and trade promotion.

2. Asia and the Pacific

21. Cooperation in Western Asia has been more pronounced in the areas of trade, aid and labour flows. However, despite various promotional schemes, intra-regional Arab trade has remained marginal, as may be gleaned from the statistics.[7] Cooperation outside trade has been underpinned by the following developments: increased acceptance and involvement of the private sector in the cooperative process; increased use of joint ventures for regional cooperation; a large influx of capital from surplus to deficit member countries and of labour in the opposite direction; stepping up of institution building; and political developments which have been positive in some instances.

Table III: Intra-regional and intra-group trade in Asia

Country group	Intra-group trade (millions of US$) 1990	1991	1992	Intra-trade/world (percentage share) 1990	1991	1992
Asia*	191008	231037	276616	21.4	37.2	39.5
GCC	7230	7031	7150	8.3	8.5	7.6
ECO	1263	977	1128	3.6	2.7	3.0
ASEAN	26288	31387	30858	18.6	19.3	19.4
BA**	1512	1761	1941	2.2	2.3	2.4
SAARC	811	974	1052	8.6	9.1	8.6

Source: "Handbook of international trade and development statistics, 1993 (United Nations publication, sales no. E/F.94.II.D.24), table 1.13.
Note: *UNCTAD secretariat calculations based on data from UNSTAT.
**Bangkok Agreement

22. A prominent development in South and South-east Asia is the rapid growth of intra-regional trade and investment. The effective exploitation of sub-regional and intra-regional complementarities and cooperation has resulted in the emergence of several "growth triangles" mentioned previously. This phenomenon of market-driven integration has inspired countries which have traditionally eschewed institutionalized forms of regional free trade to embark on deeper forms of institutionalized integration. Hence, ASEAN had launched in 1993 the ASEAN Free Trade Area (AFTA) scheme which is designed to eliminate tariff and non-tariff barriers affecting intra-ASEAN trade. Likewise, SAARC adopted a SAARC Preferential Trading Arrangement (SAPTA) in April 1993. The SAPTA scheme is set to become operational in 1995 and proposes the reduction of all tariff and non-tariff trade barriers among member States. In the South Pacific, the Melanesian Spearhead Group (MSG), comprising Papua New Guinea, the Solomon Islands and Vanuatu, has devised the MSG Trade Agreement which entered into force on 1 September 1994.[8] At the regional level of the Bangkok Agreement, a major priority is the enlargement of membership. Only limited progress had been made to that end until 1994, when Papua New Guinea was admitted into the Agreement and China announced its intention to join. Given China's major role in intra-regional trade and investment, its decision is both politically and economically significant for the Agreement.

23. Intra-regional trade in Asia has been particularly vibrant. This is illustrated by table III showing that the share of intra-regional trade in the region's global exports rose over a three-year period by 18 percentage points (comparable figures for the other regions are substantially lower). Intra-group trade has also risen for most subregional groupings albeit at a much slower pace than for overall regional trade. In the case of ASEAN, however, it should be noted that the stability of the large share of its intra-trade, in the context of the rapidly expanding trade of ASEAN with the rest of the world, implies a balanced and constant expansion of intra- and total trade, attesting to the growing complementarity within the subregion.

3. Latin America and the Caribbean

24. The region is characterized by macroeconomic policy stabilization, structural adjustment and opening up to the world through the adoption of liberal economic policies. Against this background, the integration process is proceeding at a fast pace, as manifested in the many new initiatives to enhance free trade among countries. These two simultaneous trends reveal that countries in the region perceive a positive role to be played by regional integration in the changed environment. Moreover, both intra-regional trade, generally, and trade among members of subregional integration groupings have been especially buoyant (see table IV). For example, between 1990 and 1994, the share of intra-group trade more than doubled in the Andean Group and the Southern Common Market (MERCOSUR), and almost doubled in LAIA. The fact that the region is absorbing an increasingly greater proportion of its overall exports is a sign of growing complementarity among the countries.

Table IV: Latin America and the Caribbean: intraregional and total exports, 1990-1994
(Billions of US dollars and percentages shares)

	1990	1991	1992	1993	1994
LAIA					
-Intraregional	12.2	15.0	19.4	23.6	26.3
-World	112.7	110.6	115.7	122.2	134.6
LAIA/World	10.8%	13.6%	16.8%	19.3%	19.5%
Andean Group					
-Intraregional	1.3	1.8	2.2	2.9	3.5
-World	30.8	28.6	28.1	28.5	29.2
Andean Group/World	4.1%	6.2%	7.9%	10.1%	11.9%
MERCOSUR					
-Intraregional	4.1	5.1	7.2	10.0	11.4
-World	46.4	45.9	50.5	54.3	59.7
MERCOSUR/World	8.9%	11.1%	14.3%	18.5%	19.1%
CACM					
-Intraregional	0.6	0.7	0.9	1.1	1.2
-World	3.9	4.0	4.7	5.1	5.8
CACM/World	16.0%	17.4%	19.8%	22.4%	20.8%
CARICOM					
-Intraregional	0.4	0.4	0.5	0.6	na
-World	3.9	3.8	4.1	4.3	na
CARICOM/World	12.6%	11.6%	11.6%	12.8%	na
Latin America and the Caribbean					
-Intraregional	16.0	19.3	24.4	29.2	32.3
-World	122.0	120.3	127.6	134.9	148.4
LAC/World	13.1%	16.0%	19.2%	21.7%	21.8%

Source: ECLAC, "Preliminary overview of the Latin American and Caribbean economy, 1994" (LC/G.1846, 20 December 1994) Box 2.

25. Some of the recent integration initiatives include:[9] continuing trade liberalization within LAIA, particularly through the negotiation of new bilateral agreements on free trade, the Andean Group and the MERCOSUR which created a customs union on 1 January 1995; the expected entry into force in 1995 of the free trade agreement of the Group of Three (Mexico, Colombia, Venezuela); the revival of the Central American integration under the aegis of the newly created Central American Economic System (SICA); the 1992 free trade agreement of the Northern Trade Triangle (Honduras, El Salvador, Guatemala), which later became the Central American Group of Four with the admission into the group of Nicaragua in 1993; the creation of the Association of Caribbean States (ACS) with the signing of the enabling treaty in July 1994 by 25 countries and several dependent territories washed by the Caribbean Sea; and various free trade accords between Central American countries and others such as the Mexico-CACM accord (1991), Colombia-Venezuela and CACM (1993); Venezuela-CARICOM non-reciprocal trade accord (1992); and Colombia-CARICOM reciprocal trade agreement. These efforts which can rightly be labelled second generation integration efforts are being supplemented by further initiatives aimed at evolving free trade in the Americas, as mentioned previously, including with the developed country partners in the North.

Chapter II

IMPLICATIONS OF THE URUGUAY ROUND RESULTS ON ECDC

A. Overall meaning of the Uruguay Round for ECDC

26. The Uruguay Round negotiations, started in September 1986 with the aim of increasing market access and improving rules, procedures and institutional matters covering trade, concluded on 15 December 1993.[10] The most significant outcome of the Round may be in the establishment of an overall framework in which trade issues can be further discussed, negotiated and administered. The new World Trade Organization (WTO) was established with a mandate to implement, administer and facilitate the operation of all the Round agreements,[11] and to provide a forum for future negotiations; dispute settlement mechanisms were integrated across the sectors and substantially strengthened; new fields such as agriculture, textiles, services, investment and intellectual property were brought into the multilateral framework, and provided with definitions and structures necessary for conducting future trade negotiations; more linkages were established between trade and related fields, such as labour and foreign investment.

27. These aspects of the Round results can have profound implications on ECDC, especially for the regional/subregional economic integration schemes among developing countries. In particular, the Round has raised several fundamental questions that these integration groupings may need to address, such as: (a) the role and function of integration schemes in the formation of trade policies, in the implementation and administration of the established trade policies and rules, and in the representation of the grouping in trade negotiations; (b) coordination and harmonization of trade policies and rules within the groupings, as well as of related domestic policies, in the light of definitions and structures established in the multilateral framework.

28. In more general terms, the conclusion of the Round can provide impetus to regional and subregional economic integration efforts among developing countries. The conclusion of the Round has set out the path to global liberalization, and developing countries belonging to an integration scheme may feel the need to consolidate their integration process in order to prepare their domestic economy for the coming competition at the global stage, and strengthen their positions for future trade negotiations and eventual realignment of trading relationships. Hence, **"open and flexible ECDC"** might become a vehicle for effective participation in global trade.

29. The results of the Round also pose a fundamental question for all developing countries and their groupings, namely, whether the axiom of multilateralization - global free trade is a first best - and the test that the Round applies in this respect - whether a specific policy contributes to this goal - are always compatible with the objective of optimal growth. Indeed, economic theory is rather mute and has no definite answer as to whether free trade, based as it is on static efficiency, guarantees an optimal dynamic path to economic growth. It can be demonstrated that, in the short-run, the most growth-enhancing choices might not be the most liberal ones.

30. With respect to the increase in market access, the Round came out with various agreements not only in the form of agreed tariff reductions but also in the expansion of tariff bindings (thereby securing access) and the removal of various non-tariff barriers (NTBs). Although these agreements are expected to expand world trade in general, the degree will probably vary substantially across sectors and countries. Their impact on South-South trade, in particular, is not very clear; it will depend on future developments in the markets of various sectors both in the North and the South. It is conceivable that some of the South-South trade flows could in fact be diverted to the increased South-North trade, as the Round provided a more lenient liberalization schedule for developing countries compared to developed ones.

31. Beyond the issues directly linked to South-South trade and economic integration, there are also various issues emanating from the conclusion of the Round where developing countries will find common interests. Some of these issues will be pointed out below. It may also be worthwhile for developing countries to consider taking initiatives through existing ECDC mechanisms or channels, or establishing new ECDC mechanisms, if necessary, in order to facilitate consultations, coordination and cooperation among them on these issues.

B. New rules of trade

1. Establishment of WTO and new rules of trade

32. The establishment of WTO and the strengthening of its functions are expected to ultimately benefit all the trading nations, developed or developing, by subjugating international trade to a fairer and more transparent system. While developing countries may especially welcome the increased fairness, they also face a challenge, as most of them have emerged from the Round with more tariff bindings, new obligations from the revised Tokyo Round Codes that were previously accepted only by a minority of them, and new obligations in such areas as trade in services or intellectual property rights. The built-in work programmes and negotiations, notification, transparency and legal requirements and the need to defend effectively one's rights set additional burdens upon many developing countries which lack human, institutional and financial resources to meet these challenges.

33. Hence, **a maximal utilization of these scarce resources could be achieved through, for example, delegating some technical tasks to ECDC mechanisms**. Also, **there will be a greater need of coordination and cooperation among developing countries, for example, in gaining an advantage in future trade negotiations and dispute settlement, in maintaining favourable treatment for the less developed ones, and in calling for continued technical assistance so that the new system would be fully and fairly utilised by all the participating countries**.

2. Dispute settlement mechanism

34. The dispute settlement mechanism was integrated across the sector and substantially strengthened by the Round, to the advantage of developing countries in general.[12] Nevertheless, there are still shortcomings from the viewpoint of developing countries. If a dispute has not been settled by the implementation of Dispute Settlement Board panel rulings or through a mutually acceptable solution, it will be ultimately up to the plaintiff country to impose "penalties" on the defendant, so as to obtain compensation for identified losses. This obviously throws into sharp relief the fact that economically weak countries acting alone cannot have the same retaliatory power as the strong ones. Hence, during the settlement process, the outcome could be lopsided. One way to alleviate this problem is for **developing countries to coordinate, as much as possible, in initiating the dispute so as to make the economic stakes higher**. For this, **developing countries may need to strengthen their alliances and intensify consultations, through regional/subregional groupings or according to sectoral interests, so that they would be recognized as a qualified bloc. Existing ECDC mechanisms can be utilized for such purposes**.

3. Subsidies, investments and industrial policies

35. The new Agreement on Subsidies and Countervailing Measures has produced a major improvement upon previous agreements[13] by providing clearer definitions of subsidies that are subject to discipline: "prohibited" subsidies which are explicitly export-promoting or related to the use of domestic over imported inputs; "actionable" ones which are applied to specific industries or enterprises and which cause injury to industries or enterprises of other members, or bring about significant price undercutting; and "non-actionable" ones which are not specific and do not affect prices.

36. Some exceptions exist; one of the most salient among them is the *de minimis* provision whereby certain subsidies are exempted from the countervailing investigation if the size of the industry is below a certain threshold and therefore the economic impact is deemed insignificant. So-called "Annex VII countries" with per capita GNP below US$ 1,000 are also exempted from the discipline. Further, there are some sectoral exceptions, most notably in agriculture. All these exemptions essentially aim at protecting domestic industries from increased competition, implying that they are applied to non-competitive industries with little comparative advantages. Hence, they would have no impact on international trade. The most salient example of these "protective" subsidies may be agricultural subsidies in some developed countries.

37. Simultaneously, the new Agreement would place a severe curb on export or industrial subsidization, though these "promotive" subsidies are usually given to export-competitive industries (i.e. those with comparative advantages) and therefore expand international trade.[14] Hence, it will be more difficult in the future for non-Annex VII developing countries to use subsidies as a means to promote export-led development, thereby emulating the successful examples of export-led growth observed during the past half century. **The long-term implication of this is to lock in the *status quo* of the current international economic order with its current shares in production and trade. This is an issue which may deserve the attention and political consideration of all developing countries.**

38. The new rules on subsidies have several implications for regional/subregional ECDC arrangements. **First, when there is a case for "actionable" subsidies between member countries of an ECDC grouping, a cooperative solution to the potential dispute may be found within the broader context of regional industrial cooperation, rather than having the parties resort to multilateral dispute settlement. Secondly, when there is diversity in terms of income among the members of an ECDC grouping, there might be ways maximally to utilize the exemption given to low income countries, again within the broader context of regional industrial cooperation.**

39. With respect to regional industrial policies, there are issues other than subsides with implications in terms of the Round results. On foreign direct investment, for example, the local content requirements are sought to be phased out in the Agreement on Trade-Related Investment Measures (TRIMs). **First, regional/subregional economic integration schemes may find it useful to study this and other regulative or promotional measures on foreign direct investment in member countries and, if considered useful, seek ways to harmonize or coordinate these measures among the members. Secondly, it may be also interesting to see how these measures relate to the question of regional/subregional industrial development, for example, on whether local contents may be extended to the whole region/subregion (as much as it can be allowed in the multilateral context). Thirdly, how these measures would be related to intra-regional trade and trade liberalization is another interesting topic to be studied and discussed.**

C. Implications for ECDC arrangements

1. Regional and subregional economic integration arrangements

40. Regional arrangements in general are dealt with in Article XXIV of GATT 1994 and the Understanding on the Interpretation of the Article, which stipulate that they should be "GATT consistent"; in essence, integration arrangements must be a *bona fide* customs union or free trade area rather than loose preferential arrangements. However, preferential arrangements among developing countries, as well as the Generalized System of Preferences (GSP) and some other North-to-South arrangements, will remain under the 1979 Enabling Clause agreed in the Tokyo Round, which provides more flexibility than the provisions of Article XXIV.

41. Most regional/subregional arrangements among developing countries are now aiming at deep economic integration, such as a customs union or a common market, going much beyond the level stipulated in the GATT provisions. This, in addition

to the more lenient conditions in the Enabling Clause, compared to the new Article XXIV, leaves most such regional/subregional arrangements among developing countries unaffected by the Round in this context. Moreover, regional/subregional economic integration among developing countries seems to carry its own dynamics and economic rationale which would push the integration process forward regardless.

42. Nevertheless, there will be erosions of regional/subregional trade preferences to varying degrees, as a result of agreed tariff reductions. On the one hand, if regional/subregional preferential schemes are not yet substantially implemented, MFN tariff reductions may render implemented preferences effectively meaningless. On the other hand, if intra-regional tariffs are almost eliminated, MFN reductions can directly reduce preferential margins by the same amount. Two conclusions can be drawn. **First, implementation of regional/subregional preferential schemes should be facilitated, as discussed in chapter I above. Secondly, once intra-regional tariff rates are substantially lowered, regional/subregional groupings can and should look into reductions in NTBs as a means to preserve or expand preferences.**

43. When countries have decided to pursue, or are already on the way to deep economic integration, a question arises as to the issue of representation and delegation of authority in trade negotiations and dispute settlements. So far, the European Community is the only grouping to have become a formal member of the WTO,[15] with a substantial authority in trade negotiations delegated by the member Governments to the European Commission. **For regional/subregional economic integration arrangements among developing countries, how and to what extent member Governments can and should delegate their authority could become an issue in the near future, particularly if they aim at a *bona fide* customs union.**

44. This question relates also to the more fundamental question as to **what function the member Governments would like the integration scheme to assume in trade and related matters** - in policy formation, in technical support or in negotiations within the groupings and outside, in implementing the policies and administering the rules and procedures. It also leads to the question of **what legal and institutional set-up is most effective in carrying out the given mandates and functions. The Committee might also wish to study these issues.**

45. Another element that should concern regional/subregional economic integration is **the harmonization of domestic policies and their compatibility with economic integration and also with the outside world in the multilateral context.** These questions have been raised as the Round ventured into new fields such as services and investment and established the framework in which domestic policies can be compared and discussed in a consistent manner. At the same time, the underlying trend towards globalization, to which most developing countries have become familiar, has increased the necessity to examine the compatibility of domestic policies.

46. The issues to be examined by each integration grouping in this regard may include: intra-grouping labour mobility, including both temporary moves (e.g. work permits) and more permanent immigration; intra-grouping compatibility of industrial policies and regulations, including subsidization policies, domestic competition policies, foreign investment regulations, and other laws and regulation affecting business activities between partner countries; and also policies on labour standards, environment, poverty alleviation, cultural preservation, etc. **The conclusion of the Round seems to have provided a good opportunity for regional/subregional integration groupings to reflect on these issues and, if necessary, redefine or reintroduce them, in the light of the new multilateral framework.**

2. Interregional and other preferential arrangements

47. As regards interregional preferential arrangements among developing countries such as the Global System of Trade Preferences (GSTP), or North-to-South arrangements such as the GSP or those under the Lomé Convention, the agreed general tariff reductions resulting from the Round may cause a substantial erosion of preferences in terms of absolute levels. **For ECDC, effective**

preferences in GSTP should be deepened and widened as it goes into the Second Round of negotiations. At the same time, parties to the GSTP may be assisted by its secretariat in obtaining information on the schedule of tariff reductions submitted in relation to GATT 1994 on the products of concern.

D. Sectoral issues

1. Agriculture

48. With the Uruguay Round negotiations, agriculture was included in the international trading system for the first time. This by itself marks a significant "first" step towards fairer world agricultural trade. Agriculture is the area where developing countries have very diverse positions and interests; some are major exporters, with a strong cost-advantage over developed countries; others are very dependent on imports, especially of foods. Moreover, it is one of the areas in which trade is most distorted, not only by border barriers but also through subsidization and other domestic support programmes. Especially, there is distortion caused by the large concessional flows of food, in particular cereals, from subsidized agriculture in developed countries to food-importing developing countries.

49. The agreements reached in the Round include: tariffication of NTBs, gradual reductions in tariffs, and gradual reductions in domestic support and export subsidies.[16] The extent of these agreed liberalization measures, however, is very modest, especially with temperate agricultural products. Given the current high rate of protection in agriculture with both tariffs and NTBs, the agreements are not expected to have an immediate impact on the pattern of world agricultural trade.[17]

50. The impact as a result of the Round on global food prices is different over time.[18] It is widely recognized that the effective price is likely to go up in the short run for countries receiving subsidized food from developed countries. Over time, such aid is likely to diminish as a result of the constraint placed by the Round on subsidized agriculture. Over the long run, the disappearance of concessional food aid and the opening up of markets in agriculture are likely to strengthen the production and trade capacities of developing countries, especially in Africa.

51. Given the evident complementarity among developing countries in agriculture, the probable decline in the concessional flows of food, and the expected difficulties for the least developed countries in coping with the more liberal trade environment, **there is a natural case for, and economic rationale in, the expansion of South-South trade in food. In this context, ECDC to promote South-South trade in food calls for urgent attention. First, impediments to South-South trade must be overcome.** This includes **the lack of infrastructure, such as transport systems suited to South-South trade, the lack of business networks across developing countries, and inadequate trade financing which hinders South-South trade more than South-North trade. Secondly, regional/subregional economic integration among developing countries should be facilitated and consolidated so that the difficulties faced by vulnerable members in the groupings could be eased.**

52. As regards the reductions in domestic support, there are exceptions including so-called "green box" measures (domestic support for the sake of food security, research and development, pest and disease control, etc.). These measures could be a point of contention between developed and developing countries since, in certain circumstances, it may be difficult to distinguish them from undesirable protective measures. **Developing countries may be better off taking the initiative and countering such measures with alternative measures, in particular on environmental issues, that are mutually more acceptable.**

2. Textiles and clothing

53. Regarding textiles and clothing, there will be a fundamental change in the global trading system since the Multi-Fibre Agreement (MFA), as well as other import control measures, will be phased out by the year 2005. A major difference

between MFA and the new agreement is that the latter will be applicable to all trade of all WTO members, whereas the MFA was applicable only to imports by developed countries from developing ones. Hence, South-South trade in textiles and clothing, which is rapidly gaining in importance (it had increased by 43 per cent from 1989 to 1991, as compared to 19 per cent increase of world trade in this sector),[19] is now incorporated into the new Agreement.

54. The speed of liberalization will be slow; only half of the imports at the 1990 level needs to be integrated into GATT 1994 by the end of year 2001.[20] Nevertheless, the agreement to phase out the MFA represents a major breakthrough, as it abolishes the most explicit and extensive quantitative restriction in the area, a step of significant export interest to many developing countries.[21] Moreover, forces in developed countries seeking protection against exports from developing countries may not be as strong as in the case of agriculture.[22]

55. Competition for market share will more likely occur among developing countries which are exporting similar types of products. Textiles and clothing are the areas where major exporters are mostly developing countries/territories and, compared to agriculture, limited in number.[23] Thus, the quantitative restrictions imposed by MFA had been providing an oligopolistic structure with the effect of price stabilization. The abolition of the MFA, which will break down this structure, may lead to cut-throat competition and a melt-down of prices, with severe implications for some of the exporting countries.

56. In this context, the long transition period may be a relief for the exporting developing countries. In the meanwhile, however, **it is urged that these countries could come together and take initiatives in making the agreed transition to more market-oriented mechanism as painless as possible, especially for small enterprises, while keeping the system fair and open for others to the extent possible. Devising some new mechanism to this end requires a thorough and urgent study.**

57. **Another form of possible ECDC in the area of textiles and clothing is technical assistance from relatively advanced developing countries to the least developed.** A large part of the textile and clothing industry, especially in developing countries, is very labour-intensive and suitable for countries at an early stage of manufacturing development. Hence, **some developing countries with rising labour cost and at the "graduation" stage of labour-intensive manufacturing may wish to help relatively less-developed ones acquire technology appropriate to their developmental stage, through certain types of ECDC technical assistance programmes.**

3. Services

58. Services is yet another sector brought under the multilateral trading system for the first time by the General Agreement on Trade in Services (GATS). This field encompasses various sectors of a quite diverse nature, ranging from transport, tourism and financial services to telecommunications and audiovisual services. As a result, the approach adopted in the Round is more "sectoral" and "positive list" than "across-the-board" or "negative list"; much has been still left for future negotiations. Accordingly, many issues relating to ECDC and services are sectoral; that is, whether or not a particular form of cooperation among developing countries would be consistent with the multilateral rules agreed in GATS.

59. There is a provision in GATS, nevertheless, which directly affects ECDC; Article V on economic integration stipulates, somewhat like Article XXIV of GATT 1994, integration arrangements to have extensive sectoral coverage and substantially eliminate discrimination among members. While many economic integration groupings have provisions on liberalization on intra-trade in services, their extent and nature vary. For example, among the seven ECDC schemes examined in an UNCTAD study,[24] five had a general provision on trade in services, two on the free movement of capital and on labour, three on national treatment, and four on the right of establishment, while three had sectoral provisions in transport, five in communications, two in tourism, and one in construction. At this stage, **to provide a clearer picture on what constitutes**

GATS consistency and to establish guidelines for future negotiations, a more precise study may be needed on the provisions concerning trade in services and related areas in the regional/subregional integration arrangements among developing countries, in the light of the definitions and structure of GATS.

60. GATS was relatively successful in incorporating rather contentious issues such as labour mobility and investment in relation to the provision of services. It provided, for example, **a clear recognition of "the movement of natural persons" or "the commercial presence" as a "mode of supply" for trade in services. These clarifications would urge each integration grouping to discuss some fundamental issues that relate to the ultimate form and extent of economic integration.** These issues could include: national treatment of enterprises and direct investment from partner countries; harmonization of domestic regulations regarding services and investment; harmonization of positions *vis-à-vis* outside the integration grouping regarding transnational business activities and direct investment on services as well as labour movement; free movement of labour providing services within the integration grouping; and, the possibility of permanent immigration within the integration grouping.

61. **For sectoral cooperation, there is a wide scope of potential ECDC activities in this area, given the interactive nature of services.** ECDC in transport, tourism, financial services or telecommunication may be the obvious examples. In very general terms, the Round results do not directly affect much of these activities. **There might, however, be certain situations in which an activity interferes with the multilateral rule set by the Round; for example, a preferential treatment or favourable financial conditions provided by an ECDC programme for participating countries could be viewed as discriminatory, or a form of prohibited subsidies. These possibilities can be examined sector-by-sector in a more technical context.**

Chapter III

REGULAR CONSULTATIONS

A. Background

62. In accordance with the preparatory arrangements agreed upon by the Standing Committee on Economic Cooperation among Developing Countries (ECDC) at its first session in January 1993,[25] the Intergovernmental Group of Experts (IGGE) met from 27 June to 1 July 1994 and formulated a set of broad guidelines for making operational the pragmatic policy dialogue termed "regular consultations" between the donor community, on the one hand, and ECDC actors and participants including both the recipient governments and entities engaged in ECDC programmes and projects, on the other. These guidelines were approved by the Standing Committee on ECDC in November 1994 and transmitted to the Trade and Development Board for its consideration and endorsement.[26]

63. It has been suggested that the donors reexamine their policies and practices for improving the scope and effectiveness, as well as adjusting the financial and other features of their programme to be in a better position to help ECDC entities. Suggestions have also been made to analyze the general features of the organizational and administrative arrangements as well as the policy framework in developing countries so as to process and incorporate regional activities into their requests for external assistance. Similarly, suggestions are made to compile relevant information summarizing the operational features and structures of regional initiatives, and analyze them against the policy mechanisms, instruments and facilities.

64. The objectives of the review suggested here may include: (a) improving the scope, effectiveness and financial and other features of the regional components of development assistance programmes; (b) enabling ECDC entities to formulate their programmes with operational features and structures corresponding both to the evolution of the policies of donors as well as fitting into the particular features and requirements of donor's assistance; (c) improving the manner in which requests for assistance from ECDC entities will be scrutinized by the recipient Governments so as enable them to include such requests in their submission to the donors; and, (d) disseminating, through appropriate arrangements, the relevant information on procedures for presenting the requests of ECDC entities for assistance, and on the financial and various other features of assistance made available to them; (e) helping in proposing possible modalities for the regular consultation to deal with all the above matters.

B. Improves scope, effectiveness and financial features of regional components of development assistance programmes

65. After having examined the modes and adequacy of their development assistance programmes and policies, in relation both to particular challenges and to the overall development agenda, OECD/DAC countries concluded that regional perspectives are not merely helpful in understanding global challenges, but indeed are imposing themselves as the framework in which issues are perceived and tackled in the 1990s.[27] Against this background, an OECD/DAC meeting was organized in which its member countries agreed to:

- *"incorporate regional dimension coherently and comprehensively into broader development strategies at the level of analysis, of the institutional framework, and of programme and project design and implementation;*

- *build flexibility and realism into donor approaches to ECDC entities, taking into account diversity and avoiding uniform approaches or solutions;*

- *foster coherence and coordination in donor country policies so as not to obstruct the development of regional economic activity among developing countries;*

- *explore possibilities for rationalizing and strengthening regional institutions and to avoid a proliferation of institutions and arrangements;*

- *respond positively to willingness and ability on the part of developing countries to move together in a positive direction and to help identify areas particularly suited for regional approaches;*

- *facilitate the emergence of networks geared towards helping private firms develop problem-solving capacities and introduce new products, processes, and organizational practices, given that fostering better communication at non-governmental levels is at least as important as fostering better intergovernmental relations; and*

- *monitor activities and initiatives of ECDC entities, share experiences with other donors, and encourage dialogue between donors and ECDC entities".*[28]

1. Organizational and administrative structure of donor agencies and features of their assistance

66. The internal organizational structures and the planning and budgeting procedures in donor Governments have traditionally been designed primarily in a manner in which requests for assistance are received and processed through bilateral channels and approved on the basis of bilateral political considerations. Nonetheless, some donors have already adjusted their internal organizational structure and planning and budgeting procedures to help facilitate regional initiatives.

67. The donors' development assistance programmes include "grant aid", "technical cooperation" and "ODA loan". "Grant aid" is primarily composed of the provision of financial resources without repayment obligation, which can naturally respond more flexibly to various developmental needs of developing countries. "Technical cooperation", or technical assistance, focuses on the programme aspects of the development assistance to meet various needs of developing countries, and is being provided by most of the donors in a wide range of fields such as traineeships, the dispatch of experts, the provision of equipment, and project-type assistance. "ODA loans" complement the efforts of developing countries to improve their social and economic infrastructure, by providing them with financial resources which cannot be secured otherwise.

68. The current UNDP procedures suggest that only those regional institutions satisfying the requirements of an executing agency, as provided for in its rules, are eligible to request assistance from UNDP. This disqualifies many possible ECDC recipients. One possible action for donors would be to consider reexamining the existing UNDP procedures and rules, with a view to enabling ECDC entities which currently do not qualify as recipients to do so. Another action would be to agree collectively within the framework of DAC directives to record flows of financial and other resources such as the provision of ODA to ECDC, as a new aid category, thereby encouraging the donors to assist ECDC entities.

2. Policy framework and administrative structure in the developing countries for submitting requests for external assistance

69. There are two separate aspects to the policy frameworks, one pertains to the regional and inter-regional entities and the other to the national policy framework. The IGGE suggested having a medium- to long-term plan or strategy of ECDC entities, setting a framework for their actions and external assistance needs. As to the national policy framework, there should be, as suggested in chapter I above, a focal institution in each developing country for ECDC. This would, in addition to its national ECDC functions, assure consistency and mutual reinforcement between national policies and ECDC commitments and objectives.

Of particular importance are structural adjustment programmes and other macroeconomic policies with ECDC implications.

70. Organizational and administrative structures in developing countries for processing and submitting requests for external assistance are primarily and typically designed to compile requests from governmental entities and prioritize them according to national development strategies. Since there is no administrative structure charged with ECDC functions, nor an institutionalized concern for ECDC private-sector aid requests, in the majority of instances, requests from non-governmental ECDC entities are neither compiled nor prioritized.

3. Compilation and dissemination of information on obtaining development assistance

71. Several donors have policy mechanisms, instruments and facilities to provide Official Development Finance (ODF) other than concessional grants to assist regional activities of developing countries. Systematic compilation and analysis of information on them would facilitate the related policy discussions in the future work of the regular consultations, for example on the role and features of ODF other than the provision of grants.

72. Any future policy dialogue should establish focal points for information channelling, through which donors may wish to provide information on: the scope and features of their development assistance programmes, particularly on the provision of financial resources on concessional terms; and the criteria set by the donor community in considering requests for such assistance, as well as any recent changes in donor's assistance policies.

73. There exists an urgent need for expanding the collection of information, including statistical data, issued by the Development Assistance Committee of the OECD, as recommended by the Intergovernmental Group of Experts to "*facilitate the collection, reporting and dissemination of information on ECDC external support*".[29] Such expansion is expected to produce a reasonably complete account of all types of development assistance programmes disaggregated by source, recipient regional entities and category of assistance by sector. To this end, steps need to be taken by the DAC countries to examine first the existing practices of recording development assistance programmes provided to regional entities. Similarly, the UNCTAD secretariat has been urged to request ECDC entities to provide relevant information available in their areas with a view to supplementing the information gathered from donors.

C. Identification and improvement of the operational features of regional components of development assistance programmes

1. Identification of potential areas for regional initiatives

74. South-South cooperation has been a goal of developing countries' foreign policy for close to four decades.[30] However, despite a great deal of intellectual, political and organizational efforts invested in South-South cooperation, the practical results have generally been less than expected. More pragmatic approaches are now followed to overcome difficulties in building bridges linking the South[31] as well as the South and the North.[32] This is all converging on what this paper has called **"open and flexible ECDC"**, which connotes ECDC as a means and a building block towards participation in the global economy, and a collective cooperative effort with the international community of developing countries.

75. Against this backdrop, donor countries are increasingly recognizing that regional initiatives could and should go well beyond trade, though trade still remains of paramount importance. Consequently, the donor community has concluded that recent regional initiatives by developing countries might also include the following areas:

- *"Creation of a larger economic space via free trade areas, customs and payment unions, and common markets;*

- *Efforts to provide public goods (education, research, infrastructure and environment) that are too costly or demanding for individual states;*

- *Broad sectoral cooperation and specific schemes generating cross-border economic exchanges;*

- *Promotion of private sector linkages, producer-user linkages, private-public sector linkages and research centre linkages with a view to stimulating a cross-fertilization of ideas and talent and thus a process of continuous innovation; and*

- *"Market" or de facto integration through successful outward-looking development patterns, without formal regional institutions or explicit policy coordination".*[33]

2. Operational procedures for considering specific projects within the consultations

76. The IGGE recommendations provide for establishing modalities for considering specific projects of technical assistance in the dialogue of regular consultations. Toward this end, part of the future evolution of the dialogue should involve establishing such modalities so that specific "project outcomes" result from it.

3. Some suggestions in new areas

(a) Vocational training and research institutions (human resources development)

77. Human resource development plays a critical part in growth and development as it is the major vehicle for increasing productivity and absorbing new technology. Cooperation among developing countries in this respect is of capital value.[34] Such cooperation would span the whole gamut from basic education to vocational training.[35] Some developing countries are already well placed to offer others training opportunities by providing the necessary technical personnel. Donors can extend financial assistance for such undertakings. An examination of current administrative and budgetary practices in donors countries indicates that provision of technical assistance to training activities and human-resource development can be done without major problems. One possible avenue is to redirect some of the funds now appropriated to bilateral technical assistance programmes to institutions in the developing countries or some such *loci* in cooperation groupings to manage them directly. The recently concluded "Partnership Programme" agreement between Japan and Singapore is one of the possible modalities of such cooperation. Through this agreement, Singapore organizes training programmes with annual participation of some 200 trainees, while the cost is shared jointly with Japan and Singapore.

(b) Subregional, regional and interregional encounters of private enterprises

78. Since the development assistance is extended primarily on a government-to-government basis, arrangements need to be made so that development assistance could be channelled through the public sector in the developing countries to non-governmental entities. It might be possible to suggest two modalities for channelling aid to enterprise cooperation: through a specially set public sector enterprise focal point of cooperation or through enterprise associations such as chambers of commerce. The latter can have public sector representation.

(c) Improvement of trade-finance and supplier credit provisions

79. There exists in trade-finance wide gaps between the needs of developing countries and their existing facilities. TD/B/CN.3/13 describes these gaps in detail. This calls for the improvement of the related mechanisms for financing sub-regional, regional and interregional trade. In this connection, it is observed that several donors have policy mechanisms, instruments and facilities to provide ODF other than concessional grants to a number of subregional development banks. There are export-import banks of developed countries which

open credit lines at sub-regional institutions. Document TD/B/CN.3/13 suggests that UNCTAD should launch, in cooperation with regional development banks, a project to study possible ways of enabling the banks to finance interregional South-South trade. Moreover, two other initiatives have also been outlined: one concerns a technical assistance programme to developing country trade-finance facilities as demanded, and the other to initiate a process of multilateralizing existing bilateral trade-finance agreements. As these efforts would benefit from the support of the donors, they may be proposed as items on the future agenda of the regular consultations.

D. Recommendations and conclusions

80. Development assistance programmes of donors take a positive view of regional cooperation. The majority of donors, however, consider that the requests for assistance by members of cooperation grouping have not properly been factored in the decisions and commitments taken by the groupings. It is also observed that in order to enhance their credibility, ECDC entities ought to rationalize their activities.

81. The policy dialogue envisaged within the framework of "regular consultations" would provide both the donors and recipients, government and ECDC entities, with a systematic forum to review the development assistance programmes trilaterally through a "regional lens". This would assure the incorporation of regional perspectives into development strategies.

82. Based on the orientation already indicated by the Standing Committee at its previous sessions, "regular consultations" are suggested to operationalize practical policy dialogue among those participants, with a view to:

(a) Facilitating exchange of views on the manner in which the scope, the effectiveness and the financial and other features of the regional components of development assistance programmes can be improved through national and multilateral framework. Areas to be covered include:

- organizational and administrative structure of donor agencies including related reporting system;
- organizational and administrative structure in the developing countries for submitting requests for external assistance as well as initiating in UNCTAD a system of compiling information from ECDC entities and developing countries on all aspects of ECDC external assistance needs and requests;
- economic policy framework in the long and medium term and its implications on regional initiatives and assistance requests;
- financial features of regional components of development assistance programmes;
- dissemination of information regarding all aspects of obtaining development assistance for regional initiatives and donors policies and arrangements;
- establishing modalities for considering specific projects of ECDC.

(b) Providing ECDC entities with a forum to compare their structures, procedures and experiences in relation to donors assistance;

(c) Providing the ECDC entities and private ECDC concerns with the occasion to exchange views on how their requests for assistance can be incorporated into the Governments' submission to donors of requests for assistance;

(d) Similarly offering the possibilities to the ECDC entities, through appropriate arrangements, of acquiring relevant information on procedures for presenting their requests for assistance either directly to the donors or indirectly through the appropriate recipient Governments.

Chapter IV

TECHNICAL SUPPORT, ASSISTANCE AND SKILL DEVELOPMENT

83. As outlined in the work programme of the Standing Committee on ECDC,[41] in the course of 1994 and early 1995, UNCTAD's technical cooperation in the area of ECDC encompassed assistance to revitalizing economic integration processes, enhancing trade expansion and enterprise cooperation, improving the operations of clearing and payment arrangements, supporting joint initiatives in the field of technology and opening up skill formation opportunities for personnel primarily from developing countries. In response to the agreed conclusions of the second session of the Standing Committee, the following new orientations in technical cooperation are being initiated: (i) undertaking consultations with regional development banks in support of specific ECDC actions for trade-financing; (ii) exploring the possibility of joint actions between the North and South in the areas of investment, production and marketing; and (iii) identifying specific possibilities in support of trade expansion, joint production, marketing, investment, technology, transport and communication.[42]

84. In addition, UNCTAD staff and interregional advisers have prepared technical papers, and participated or served as resource persons in meetings of technical bodies and governing organs of integration groupings, clearing and payment arrangements, enterprise cooperation organizations and other ECDC organizations. In implementing all these technical cooperation activities, the UNCTAD secretariat actively cooperated with member countries and their groupings, with the UNDP, the Regional Commissions, and other United Nations system organizations, as well as non-governmental institutions. Several of the activities have served as pilot projects (such as those in the field of technology), and as test-cases (for example, internships and study tours).

A. Revitalizing the economic integration processes

85. In the African region, assistance has been rendered to SADC in designing a trade cooperation programme and, in particular, in the drafting of a trade cooperation protocol to the SADC Treaty. A first reading of the draft protocol was effected by the SADC Council of Ministers. As part of a programme of assistance to UMA, UNCTAD finalized a study on the mechanisms of compensation of losses resulting from the application of its tariff and trade convention. Analyses of the use of national currencies for intra-grouping trade in ECOWAS were also prepared. Technical assistance to ECOWAS and ECCAS in respect of trade cooperation was finalized, and, although follow-up activities had been proposed, these have not yet been launched for lack of financial resources.

86. In Central America, the UNCTAD secretariat has continued to provide technical support towards the implementation of SICA, particularly with respect to the participation of the private sector in the integration process. Several possible joint activities have been identified in areas such as training and skill formation for enterprise executives and policy-makers, trade and the environment, financing of trade and enterprise development, poverty alleviation, cooperation between Central America and other subregions and regions. Financing for the activities envisaged is yet to be secured.

87. Assistance has also involved the provision by staff of technical support, advisory services, and participation in meetings and workshops as resource persons and experts. Such advisory support was provided, upon request, to the OAU, Bangkok Agreement, SICA, SADC, PTA/COMESA, the Arab Investment Guarantees Organization, ASEAN, the APCTT/ESCAP. As integration groupings endeavour to strengthen and revive their cooperation, requests and requirements for support have been increasing. UNCTAD, therefore, is seeking to augment delivery of technical support, depending on the availability of staff and financial resources.[43]

B. Trade expansion and enterprise cooperation among developing countries

88. In addition to the assistance mentioned above on support to trade cooperation programmes of integration groupings, activities in support of the

expansion of trade among developing countries, including cooperation among enterprises have been also carried out. In the context of strengthening cooperation among trading enterprises, UNCTAD and the Promociones Exteriores Canarias (PROEXCA) of Spain will jointly organize a forum of African, Arab and Latin American Trading Enterprises and a Symposium on The impact of the Uruguay Round on the Cooperation among Free Trade Zones of Developing Countries.

89. On the occasion of the first Africa-Arab trade fair, held in Tunis in November 1993, UNCTAD participated in a symposium on trade expansion between African and Arab countries and presented a paper on the subject. The second fair is scheduled to be held in South Africa in 1995 and UNCTAD is expected to make a similar contribution. UNCTAD had also organized jointly with the OAU and the League of Arab States a symposium on the theme of economic cooperation and investment between African and Arab countries during the First Afro-Arab Business Week, held in conjunction with the Cairo International Fair in March 1995.

90. In the Arab region, UNCTAD, together with UNDP and ITC, launched an initiative in 1991 to elaborated a regional programme for Arab trade expansion as part of a wider UNDP regional Arab programme. A draft of the trade expansion programme was finalized in 1994. Implementation is expected to begin in the course of 1995, upon approval of funding, with the back-stopping of UNCTAD.

91. With assistance from UNCTAD, a ministerial meeting of Latin American, Asian and Pacific developing countries of the Pacific Basin has been planned to take place towards the end of 1995, so as to elaborate a policy framework for efforts aimed at expanding trade and other economic relations between the countries concerned, in particular through the involvement of their enterprises. Prior to the above-mentioned meeting, a ministerial meeting of the Latin American countries will be organized in order to prepare, for further discussion, an outline on economic cooperation in the Pacific Basin. UNCTAD's active participation includes the preparation of background papers on trade flows between Latin American, Asian and Pacific developing countries of the Pacific Basin, import regimes of Pacific Rim countries, and elements of an action programme for economic cooperation among Latin American, Asian and Pacific developing countries of the Pacific Basin.

92. In respect of the GSTP, the second round of negotiations has now entered into an active phase in areas in which negotiating groups have been established, namely: facilitation of accession, product-by-product negotiations, across-the-board tariff negotiations, direct trade measures, and non-tariff and sectoral agreements. Activities funded through the GSTP project have included (i) logistic support and servicing of formal and informal meetings; (ii) preparation of standardized forms for the presentation of offers and requests; and, (iii) preparation and diffusion of information of relevance to the negotiating groups.

C. Assistance to payments and clearing arrangements

93. Assistance has been provided by UNCTAD to the Asian Clearing Union (ACU) through the preparation of a study dealing with the prospects of broadening, deepening and diversifying the ACU's functions in the light of current and prospective changes in the economies of the members and the global economy. The paper entitled "The ACU: an Assessment and Prospects" was presented to the twenty-second annual meeting of the Board of Directors, in August 1994 in Yangon, Myanmar. After discussing the report, the Directors agreed to hold a meeting of the ACU technical committee to review and analyze this report and provide the Board with specific conclusions to be discussed at its 1995 annual meeting.

94. At the request of the West African Clearing House (WACH), a technical paper on the conversion of the WACH into the West African Monetary Agency (WAMA) is being prepared by UNCTAD. It covers three main facets, namely, (i) the possible characteristics of the WAMA in moving towards convertibility, (ii) the possibility of interrelating clearing and payments functions with other elements of monetary cooperation, and, (iii) the technical support, assistance, and training requirements of the WACH, and its member countries.

95. UNCTAD, in its capacity as the technical secretariat for the Coordination Committee on Multilateral Payments Arrangements and Monetary Cooperation among Developing Countries, provided technical support for the Committee's eighth session, held in Santa Cruz de Tenerife, Spain, from 28 February to 1 March 1994. UNCTAD also provided assistance to the second Conference of Governors and Senior Officials of Central Banks of Latin American and African Countries which took place from 2 to 3 March 1994, and to the meeting of the Follow-up Committee of this Conference held on 3 October 1994 in Madrid, Spain.

D. Development of regional capital markets

96. A pilot project for Central American women entrepreneurs and executives of small companies on the utilization of subregional capital markets for the mobilization of funding has evolved in response to a request from the Federation of Private Enterprises (FEDEPRICAP). A draft project proposal was made available in mid-1994 to FEDEPRICAP and to SICA. The financing is yet to be secured.

97. Consultations are being initiated in response to similar necessities identified in the African context. Considering the lead-time required for ensuring the formulation, securing the funding, and making arrangements for implementation, two preparatory missions to African countries may have to be carried out in the course of 1995 and 1996.

E. Support to trade financing

98. A study of progress in the 1990's of trade-financing facilities of developing countries at the interregional, regional, subregional and national levels is under preparation. The study is based on the replies from relevant country and intercountry institutions to a comprehensive questionnaire issued by UNCTAD. The study will formulate suggestions, including prospective ideas for a prototype model of trade-financing schemes with elements which can be used by both national and regional schemes under technical cooperation assistance upon request.[44]

F. Joint North-South actions in production, investment and marketing

99. The rare occurrence of cross-regional joint ventures and South-South enterprises is partly owing to lack of information and suitable modes of finance. The report of the United Nations Chitose Forum on South-South Economic Cooperation with Particular Reference to Asia and the Pacific states that, in practice, South-South cooperation could *"take the form of a triangular relationship with developed and developing countries"*.[45] The subject was again reiterated at the second session of the Standing Committee on ECDC. In the light of the interest, the UNCTAD secretariat is helping to work out, and participating actively in, cooperation arrangements such as those achieved with PROEXCA in Spain, which consists of a programme fostering interactions between economic operators in Africa and Latin America.

G. Multi-country and multi-enterprise initiatives in the field of technology

100. A workshop held in New Delhi from 7 to 10 November 1994 addressed three main issues, namely (a) the increasing complexity and rising costs of R&D, (b) the rapid obsolescence of technologies and of products, and (c) the difficulties in blending technologies and start-up finance for ensuring sustained and sustainable economic growth and development. Senior executives coming from enterprises and from R&D organizations from 12 countries (Bangladesh, China, India, Indonesia, Islamic Republic of Iran, Malaysia, Nepal, Pakistan, Philippines, Republic of Korea, Sri Lanka, and Viet Nam) met with policy-makers in order to discuss the ways in which multi-enterprise and multi-country initiatives could help address these concerns. The Asian and Pacific Centre for Transfer of Technology of the Economic and Social Commission for Asia and the Pacific (APCTT/ESCAP), with UNCTAD and the UNDP, actively participated in all phases of preparations and the actual holding of the workshop. Subsequently, the UNCTAD secretariat made available to the APCTT a draft proposal for further

elaboration concerning follow-up activities. University-industry relations have also been considered in the Latin American and Caribbean context.

101. The problems associated with technological advancement appear to be particularly acute in the African context. Hence, it is the intention of UNCTAD to pursue actively this matter in conjunction with UNDP, OAU, the Economic Commission for Africa, and the African Regional Centre for Technology, as possible convenors of the workshop(s) on technological cooperation and initiators of suitable follow-up activities. Two preparatory missions should be launched, one late in 1995 and another in early 1996. The first would be to countries using English as the working language, and the second to those using French, in order to discuss the technical aspects and practical arrangements for the envisaged workshops.

H. Training, skill-development and information exchange opportunities

102. In addition to the seminars, workshops or courses mentioned above, the UNCTAD secretariat also organizes, on a case-by-case basis, internships within UNCTAD for skill-formation purposes. Thus, a specialist in economics and finance of the OAU was attached for six weeks to several technical support and research teams of UNCTAD for training on new facets of international economic relations. Under a longer term internship programme with the Republic of Korea, a third trainee is currently attached to UNCTAD. At the request of the South Pacific Forum secretariat, organizational support was provided by UNCTAD for an interregional fact-finding study tour by a team from the smaller island States members of the South Pacific Forum, to Caribbean countries and institutions.

I. Resources for technical support, assistance and skill-formation

103. Technical support, cooperation, assistance, skill development, etc. in the substantive areas mentioned above (expansion of trade; enterprise level cooperation; multi-country capital markets; technology cooperation endeavours; trade-financing facilities; efforts concerning joint production, investment and marketing) need to be reinforced and expanded. In some instances, there is a need to cover emerging issues such as the evaluation of the Uruguay Round outcome for specific groupings. It is also important to widen the country-coverage of activities and to address sub-sets of countries, as in the case of the Africa-Arab endeavours in the context of African integration efforts. In other cases, a deepening in modes of cooperation might be called for, as for instance in the Asian Pacific region, where possibilities for multi-country and multi-enterprise activities in the field of technology continue to be explored, and new modes for the commercialization and application of R&D results are being examined by potential partners. Training opportunities and courses for personnel from developing countries in these fields urgently need to be expanded and multiplied. With respect to enterprise cooperation, as well as cooperation in R&D, assistance is needed to foster the setting up of institutional mechanisms such as business information networks; promotion of contacts between enterprises of developing countries and between their organizations; and identification of opportunities for the establishment of joint ventures and other forms of interaction among enterprises.

104. The availability of funds for the implementation of many of the proposals mentioned above is however very limited. UNCTAD's efforts have therefore been devoted to the design and formulation of projects. The secretariat is also actively cooperating with UNDP, United Nations Regional Commissions, subregional, regional and cross-regional groupings and their member countries, enterprise associations, non-governmental organizations, and relevant United Nations system organizations. To this end, the UNCTAD secretariat will avail itself opportunities for further discussions seeking project ideas such as those mentioned above with prospective donors in the spirit of new forms of partnerships for development.

NOTES

1. See "Report of the Standing Committee on Economic Cooperation among Developing Countries on its second session" (TD/B/41(2)/7-TD/B/CN.3/11, annex II).

2. For additional details, please refer to the review of ECDC carried out by UNCTAD in September 1994 in its report entitled "Review of major developments in the area of economic cooperation among developing countries, including regular consultations and technical support, assistance and skill development" (TD/B/CN.3/9 and Add. 1).

3. See "Report of the Intergovernmental Group of Experts on Economic Cooperation among Developing Countries on its session", held at the Palais des Nations, Geneva, from 27 June to 1 July 1994 (TD/B/CN.3/6-TD/B/CN.3/GE.1/5).

4. For details see, for example; ECLAC, "Open regionalism in Latin America and the Caribbean: Economic integration as a contribution to changing production patterns with social equity" (LC/G.1801(SES.25)/4, 3 February 1994).

5. "National implementation of subregional, regional and interregional decisions: A case study of Malaysia" (UNCTAD/ECDC/247); idem, A case study of Venezuela (UNCTAD/ECDC/248), and idem, A case study of Zimbabwe (UNCTAD/ECDC/249). Within the context of this subject also, the UNCTAD secretariat prepared a technical report entitled "Effectiveness of institutional machinery" (forthcoming).

6. At 15 December 1994, twenty countries signed the COMESA treaty and twelve of them have ratified it. Zaire which was not a member of the PTA signed the COMESA treaty.

7. According to ESCWA the share of intra-regional trade of the ESCWA region in its total trade in 1989, 1990, 1991 and 1992 was respectively 11.4%, 10.4%, 9.0% and 10.4%.

8. Under the agreement, intra-group trade is conducted free of customs duties in respect of tuna from the Solomon Islands, tea from Papua New Guinea, and beef from Vanuatu but the product coverage will be gradually broadened.

9. A recent UNCTAD secretariat report provides a survey of such developments; see "Regionalization and integration into the world economy: The Latin America experience in trade, monetary and financial cooperation" (UNCTAD/ECDC/234, 31 August 1994).

10. For factual information on the Uruguay Round results and more general discussions, see inter alia: IMF, International Trade Policies: The Uruguay Round and Beyond, 1994; UNCTAD, "The outcome of the Uruguay Round: an Initial Assessment", Supporting Papers to the Trade and Development Report, 1994. Other informational sources include: GATT, News of the Uruguay Round of Multilateral Trade Negotiations; GATT, GATT Newsletter Focus; WTO, WTO Press Release. On the implications for developing countries, see inter alia: Agosin, Manuel R., Diana Tussie and Gustavo Crepsi, "Developing Countries and the Uruguay Round: An Evaluation and Issues for the Future", a report prepared for the Seminar on Trade Prospects for Developing Countries up to the Year 2000 and Beyond, held at Geneva, 27-29 September 1994; Cristopher Stevens, "After the GATT Uruguay Round: Implications for Developing Countries", Institute of Development Studies, Policy Briefing Paper, April 1994; ECA, "The Uruguay Round Agreement and its Possible Impact on Regional Economic Integration in Africa in the Light of the Abuja Treaty" (OAU, EDECO/TD/11/656.94), 14 October 1994; ESCAP, "Review of the Bangkok Agreement, with particular focus on: (a) Implication of the Uruguay Round Agreement on the Bangkok Agreement; (b) Non-tariff measures; (c) New areas of cooperation such as trade in services; (d) Common rules of origin" (TRADE/SCBA(15)/1), Note by the secretariat submitted for the Standing Committee of the Bangkok Agreement at its fifteenth session, 15-17 February 1995, Bangkok, January 1995; GATT, "Developing Countries and the Uruguay Round: An Overview" (COM.TD/W/512), 10 November 1994; and UNCTAD, ibid.

11. These agreements are: the General Agreement on Tariffs and Trade 1994 (GATT 1994), which include the present General Agreement (GATT 1947), a series of Understandings to interpret the Articles, and the Marrakesh Protocol to GATT 1994; twelve Multilateral Agreements on Trade in Goods (MTAs); the General Agreement on Trade in Services (GATS); the Agreement on Trade-Related Aspects of Intellectual Property Protection (TRIPs); the Understanding on Rules and Procedures Governing the Settlement of Disputes (DSU); the Trade Policy Review Mechanism (TRIM); and four Plurilateral Trade Agreements, which are optional for each WTO member to accede to.

12. Among the most significant improvements is the provision that a consensus is now needed in halting a dispute settlement process, in contrast to the previous agreement in which a consensus was needed to proceed with the settlement. In other words, the parties to the dispute can no longer unilaterally block the decisions against them to be made. Also, the unweighed voting system in the General Council, which will act as the Dispute Settlement Board, points to a clear advantage for developing countries.

13. The Articles VI (on anti-dumping and countervailing duties) and XVI (on subsidies) of GATT 1947, and the Code on Subsidies of the Tokyo Round.

14. Theoretically, the "promotive" subsidies, given to the industries with comparative advantage, expand trade since the world has not yet achieved free trade.

15. Article XI, the Agreement Establishing the World Trade Organization.

16. In most cases, developing countries were given more lenient conditions and schedules than developed ones, with the least developed countries exempted from much of the obligations.

17. In addition, the average tariff cuts are not trade-weighted, meaning that countries could reduce the average tariff rate by lowering rates more for the less-imported products. There are also special safeguard provisions in the form of additional duties applicable when there is a sudden increase in the imports or when the prices are below certain reference levels.

18. On the one hand, the lowering of the tariff rates will put a downward pressure on prices; on the other hand, the reductions in domestic and export subsidies in developed countries might reduce the overall supply and the concessional flows, hence creating an upward pressure. Thus, the combined impact on global food prices is uncertain,

19. UNCTAD, "Handbook of International Trade and Development Statistics 1993". The figures exclude the re-exports; with the re-exports, a large portion of which is the products originated in China and exported through Hong Kong, growth in South-South trade will be even higher.

20. Moreover, the products to be integrated at each stage of the process can be chosen by the importing countries.

21. There are some safeguard measures during the transition period, for products not yet integrated into GATT 1994, when there is a need to protect domestic industries from a sudden import surge. However, their implications are more limited and their definitions clearer than they were previously; the new Agreement eliminated such protective concepts used under previous agreements as the "exceptional circumstances" (in which importing countries were exempted from certain obligations) or the "minimum viable production" (which allowed exceptional treatment for small importing countries).

22. First, there is no industry-specific protection like the "green box" measures. Second, a large part of the textile industry in developed countries is composed of well-established manufacturers, unlike agriculture in which producers are most often small scale farmers needing protection to survive. Third, the types of products made by developed-country manufacturers can be quite different from those exported by many developing countries. In fact, many developed-country clothing companies are now having their products manufactured in developing countries.

23. Some major exporters of textiles and clothing are Bangladesh, Brazil, Egypt, Hong Kong, India, Indonesia, Malaysia, Pakistan, Republic of Korea, Singapore, Sri Lanka, Syrian Arab Republic, Taiwan province of China, Thailand, Tunisia and Turkey.

24. Abugattas, L., "Services as an element of cooperation and integration among developing countries: implication for the Uruguay Round of multilateral trade negotiations", in Trade in Services: Sectoral Issues (UNCTAD/ITP/26), United Nations, 1989. It includes case studies of GCC, ECOWAS, CARICOM, CACM, Andean Pact, ASEAN, ALADI, though caution should be taken in that this particular study was conducted in 1989 and so the information may not be up to date.

25. TD/B/39(2)/16 - TD/B/CN.3/5 (pp. 19-20).

26. TD/B/CN.3/6 - TD/B/CN.3/GE.1/5.

27. 1993 Report of the Chairman of the DAC entitled "Efforts and Policies of Members of the Development Assistance Committee", 1994, Paris, (p. 14).

28. Ibid., (p. 48).

29. See "Report of the Standing Committee on Economic Cooperation among Developing Countries on its second session" (TD/B/41(2)/7 - TD/B/CN.3/11), Appendix.

30. See "Report on Economic Cooperation among Developing Countries in Economic Planning and Management", United Nations, New York, 1992 (ST/ESA/232). The report describes briefly the history of the evolution of economic cooperation among developing countries. The report states, among other things, that the need for cooperation among developing countries to enhance self-reliance and ensure increased stability of their international trade and monetary system was already felt in the mid-1950s at a time when many colonies had yet to attain independence.

31. See page 143, "The Challenge to the South", the report of the South Commission, New York, 1990.

32. Ibid., pages 225-226. The Report of the South Commission underlined the needs for the revival of the North- South dialogue based on "a more meaningful and realistic basis". Please refer also to the earlier references made to the same effects appearing in page 151 of the report of the Brandt Commission of 1983 entitled "Common Crisis". The latter report underlines, in connection with negotiating practices between the South and the North, the needs for more flexible approaches.

33. See "1993 Report of the Chairman of the Development Assistance Committee", 1994, Paris (p. 43).

34. See "The Challenge to the South", report of the South Commission, New York, 1990, (pp. 160-163).

35. **Ibid.** (p. 163).

36. See TD/B/39(2)/16-TD/B/CN.3/5 (annex II, para. 7).

37. TD/B/41(2)/7-TD/B/CN.3/11 (annex I para. 7).

38. Other technical cooperation activities involving the UNCTAD secretariat are summarized in document TD/B/WP/84.

39. See "Feasibility study for an interregional trade financing facility for the exports of non-traditional goods of developing countries" (TD/B/1300/Supp.2), prepared by Multinational Strategies Inc., New York, in collaboration with UNCTAD.

40. See UNCTAD, "Report of the United Nations Chitose Forum on South-South Economic Cooperation with Particular Reference to Asia and the Pacific" (UNCTAD/ECDC/231).

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Item 5 of the provisional agenda

Review of the Work Programme of the Standing Committee on ECDC, with special emphasis on the preparations for UNCTAD IX

Report by the UNCTAD secretariat

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Abbreviations

APEC	Asia Pacific Economic Cooperation
AFTA	ASEAN Free Trade Area
ATFP	Arab Trade Financing Programme
ASEAN	Association of South-East Asian Nations
DAC	Development Assistance Committee of the OECD
ECA	Economic Commission for Africa
ECDC	economic cooperation among developing countries
ECCAS	Economic Community of Central Asian States
ECOWAS	Economic Community of West African States
EPZ	export processing zone
EU	European Union
GATT	General Agreement on Tariffs and Trade
GSPA	Global Scheme of Payments Arrangements
LAIA	Latin American Integration Association
MASSA	Malaysia South-South Association
MASSCORP	Malaysia South-South Corporation
Mercosur	Southern Cone Market: grouping comprising Argentina, Brazil, Paraguay and Uruguay, established on 1 January 1995
NAFTA	North American Free Trade Area
NIEs	Newly Industrialized Economies
OECD	Organisation for Economic Cooperation and Development
SADCC	Southern African Development Coordination Committee
TCDC	technical cooperation among developing countries
TNC	transnational corporation
WTO	World Trade Organization
UNDP	United Nations Development Programme

INTRODUCTION

1. The Cartagena Commitment, in its part V on "Economic cooperation among developing countries", conceived the role of ECDC "as a means of securing the integration of developing countries into the world economy and of increasing their capacity to produce, achieve economies of scale and become internationally competitive". 1/ At the institutional level, UNCTAD VIII agreed that the existing Committees of the Board should be suspended and that new standing committees, including one on economic cooperation among developing countries, be established. 2/ Thereafter, the Trade and Development Board, at its first session following UNCTAD VIII, established a Standing Committee on Economic Cooperation among Developing Countries with its terms of reference. 3/ The Committee established its own work programme at its first session (11 to 15 January 1993), and the present report is intended to assist the third session of the Standing Committee on ECDC to review its work programme while giving special emphasis to the preparations for UNCTAD IX.

2. It may be recalled that the eighth Conference, in establishing the various Committees, directed that "immediately prior to UNCTAD IX, the Board will review the functioning of its Committees with a view to making recommendations concerning them to the Conference". 4/ The deliberations of the third session of the Standing Committee under this agenda item will consequently be submitted to the Trade and Development Board for its consideration and onward transmission, as appropriate, to the next Conference.

I. WORK PROGRAMME OF THE STANDING COMMITTEE ON ECDC

A. Establishment of the work programme

3. The Standing Committee on ECDC, at its first session (11 to 15 January 1993), established its own work programme with the following components: (i) promotion and expanding trade among developing countries; (ii) encouraging enterprise cooperation; (iii) regular consultations; (iv) strengthening subregional and regional integration and fostering interregional cooperation; (v) enlarging and deepening monetary, financial and investment cooperation; and, (vi) review of technical support, assistance and skill development. The first session also decided that review of major developments in the area of economic cooperation among developing countries, including regular consultations and technical support assistance and skill development (item 4 of the agenda for the second session of the Standing Committee) "would remain a permanent feature on the Standing Committee's agenda". 5/

4. To deal with regular consultations (item (iii) above), it was stated at that session that:

> "The Standing Committee will make the necessary arrangements for a pragmatic policy dialogue among the donor community, subregional, regional and interregional groupings as well as participants in ECDC programmes and projects with a view, in particular, to mobilizing support for designing and implementing regional initiatives, interregional activities and networking of integration and cooperation schemes". 6/

Concerning the manner in which arrangements for regular consultations might be conducted between the first and second sessions, the Committee established an "intergovernmental Group of Experts to hold consultations with interregional, regional and subregional groupings" with a view to collecting relevant information from donors and ECDC actors (recipients) and requested the second session of the Committee to review the report of the intergovernmental consultations, with a view to identifying programmes, projects and measures for international support. 7/

B. Allocation of the work programme

5. The second session of the Standing Committee (14-18 November 1994) took up item (i) relating to "promotion and expansion of trade among developing countries" and item (iv) on "strengthening subregional and regional integration and fostering interregional cooperation" from the above-mentioned work programme, while the remaining items were allocated to the third session of the Standing Committee. In anticipation of the conclusion of the Uruguay Round and the coming into being of the new World Trade Organization, the Second Committee also took up for discussion the topic of the impact of the Uruguay Round on ECDC. However, since this issue could not be thoroughly discussed during the second session, the third session of the Standing Committee is also expected to deliberate on "the implications of the Uruguay Round results on ECDC arrangements" under item 4 of its provisional agenda.

6. In addition, the Standing Committee at its third session has the task of conducting a "Review of the Work Programme of the Standing Committee, with special emphasis on the preparations for UNCTAD IX".

II. STATUS OF IMPLEMENTATION

7. At its different sessions, the Standing Committee, as a policy-making intergovernmental body, has reviewed, monitored and directed the work programme. On the other hand, the UNCTAD secretariat has been implementing the work programme through studies, research work, advisory missions, seminars, correspondence, technical assistance and other suitable means. The following paragraphs provide a status report on the activities of the intergovernmental machinery and of the UNCTAD secretariat respectively.

A. Intergovernmental level

8. After the establishment of the work programme referred to in paragraph 3 above, the Standing Committee met at its second session in November 1994. Its third session, in June 1995, will be its last before UNCTAD IX.

9. At the second session, the Standing Committee deliberated on: (a) strengthening subregional and regional integration and fostering interregional cooperation, as well as promotion and expansion of trade among developing countries (paras. 5 and 2 of the work programme); and, (b) review of major developments in the area of economic cooperation among developing countries, including regular consultations and technical support, assistance and skill development (paras. 4 and 7 of the work programme). At its third session (June 1995), the Standing Committee has before it the following two substantive agenda items: "Enlarging and deepening monetary, financial and investment cooperation among developing countries and promoting cooperation of the enterprise sectors of developing countries" (agenda item 3); "Evaluation

of major developments in the area of economic cooperation among developing countries, including implications of the Uruguay Round results on ECDC arrangements and regular consultations, technical support, assistance and skill development" (agenda item 4). The Committee has been provided with secretariat reports on each of these topics. 8/

10. All the substantive components of the work programme, excepting "Regular consultations", will thus have been dealt with directly by the Standing Committee. However, for "Regular consultations", the Standing Committee established an Intergovernmental Group of Experts (27 June to 1 July 1994), whose conclusions and recommendations were later endorsed at the second session of the Standing Committee (November 1994). 9/ The decisions of the Committee at its second session and those that may be taken at its third session will raise numerous substantive and policy issues in various areas which can serve as a basis for the future orientation and work programme of both the Committee and the secretariat (see chap. IV below).

B. Secretariat level

1. Documents submitted by the secretariat to the Standing Committee

11. The UNCTAD secretariat, firstly in assisting the Committee to establish the work programme and later in its implementation, provided eight policy documents and seven other background documents. It also provided three reports to the Intergovernmental Group of Experts (see annex, section A). In addition, several other documents prepared by the UNCTAD secretariat (see annex, section B) were made available to the Committee and Governments.

2. Meetings and seminars serviced by the secretariat

12. The secretariat also serviced, organized or co-organized, inter alia, the following meetings and seminars: (i) eighth session of the Coordination Committee on Multilateral Payments Arrangements and Monetary Cooperation among Developing Countries (February-March 1994, Santa Cruz); (ii) Second Conference of Governments and Senior Officials of Central Banks of Latin American and African Countries (March 1994, Santa Cruz); (iii) first meeting of the Follow-up Committee to the above Conference (October 1994, Madrid); (iv) Seminar on ASEAN Free Trade Area (AFTA) (June 1993, Jakarta); (v) Seminar on the Promotion of Trade between African and Arab Countries (October 1993); (vi) the Asian-Pacific Regional Workshop on R & D Community - Enterprise Cooperation in Technological Research and Commercialization/Application of Results (November 1994, New Delhi); (vii) Ministerial Meeting on Latin American Dialogue on the Pacific Basin (Bogotà, June 1995).

3. Advisory missions

13. Advisory missions were sent, inter alia, to the OAU Permanent Steering Committee Meeting (April 1993), the Standing Committee of the Bangkok Agreement (December 1993 and February 1994), the Eighth Joint ECA/UNDP/African IGOs/UN Meeting (April 1994), the Central American Integration System (SICA) Headquarters, San Salvador (July 1993); to do country studies on Venezuela, Malaysia and Zimbabwe (July to August 1994); and to the annual meeting of the Asian Clearing Union (Dacca, August 1993), to UNDP-AFTP Preparatory Meeting (Abu Dhabi, December 1993); and the Expert Group Meeting of the Inter-Arab Investment Guarantee Corporation on Countertrade (Tunis, December 1994).

4. Technical assistance

14. UNCTAD provided technical assistance and analytical work to different groupings on request or under specific projects. 10/ Assistance rendered to ECOWAS and ECCAS involved consultant studies on issues such as the use of member States' currencies in intra-group trade, regional capital markets, common external tariffs, and compensation for loss of fiscal revenue resulting from the implementation of intra-regional trade liberalization programmes. In the Asian region, UNCTAD provided issue papers on different themes of the ASEAN Free Trade Area (AFTA), including free trade areas, the GATT Enabling clause and GATT Article XXIV, AFTA and the ASEAN secretariat, AFTA and EEC and NAFTA. Similarly, UNCTAD assisted the process of the enlargement of the Bangkok Agreement by providing data and statistics for:

(a) Identifying products of export interest to its existing members (Bangladesh, India, Lao People's Democratic Republic, Republic of Korea and Sri Lanka) and prospective members (Papua New Guinea and Afghanistan);

(b) Trade flows of the above-mentioned identified products;

(c) Data on trade control measures applied by the member States in respect of the identified products. In 1994, Papua New Guinea joined the Bangkok Agreement, while China has announced its intention to join.

UNCTAD also provides inputs and contributes to the implementation of General Assembly resolutions on cooperation between the United Nations and other interregional and regional groupings, such as the Organization of the Islamic Conference (OIC) and the League of Arab States. During the period under review, a general meeting between the United Nations and the OIC was held for the implementation of the General Assembly resolution 11/ for which UNCTAD was a focal point on the priority area of "development of trade". Similarly, UNCTAD provided inputs on "development of trade" for inclusion in the Secretary-General's report to the General Assembly. The work covered provision of trade data, organizing seminars in collaboration with the Islamic Centre for Development of Trade (ICDT), and advisory missions to OIC countries.

15. The preceding and other aspects of the secretariat's work programme and activities were also reflected in the relevant United Nations medium-term plan (1992-1997) and programme budgets for the biennium 1992-1993 and 1994-1995.

III. NEW PERSPECTIVES RELEVANT TO THE ECDC WORK PROGRAMME

16. Recent global economic changes have provided new challenges and prospects which cast ECDC in a new light. Developing countries, responding to the changed trading and economic environment, have also taken new initiatives to provide new directions and priorities to the ECDC process. Some of those moves have taken place within the United Nations framework, others outside it. Even among the developed countries, the trend to support South-South cooperation is gaining momentum. A description and discussion of those aspects in this chapter is intended to serve as background to the proposals for the future orientation of the ECDC work programme in chapter IV.

A. Globalization, liberalization and ECDC

17. Over the past decade, and in particular over the past half-a-dozen years, the world has witnessed a trend towards more globalization in all the major areas of the world economy accompanied by significant liberalization in most economies and a trend towards increased cooperation between groups of countries at both similar and different levels of development. The first trend is manifest in the tremendous increase in international financial flows of all types and the increased integration of all segments of financial markets as a result of the twin factors of increased globalization of finance and increased liberalization of national financial markets. Similarly, the increased importance of transnational enterprises as a result of their increased dynamism and large market shares and the liberalization of many sectors in national economies has globalized important decisions on production, investment and the application of technology.

18. Developing countries have been multiplying their efforts and have shown increased political commitment to integration and various forms of ECDC. UNCTAD has had the occasion of reviewing such developments in previous sessions of the Committee and in the documentation prepared by the secretariat. 12/ The increased emphasis given to ECDC, especially at the regional and subregional levels, does not seem to be dictated mainly by considerations of political economy, but by an objective judgement that ECDC is an instrument for developing countries to increase their participation in the world economy. The question therefore arises as to how the increased globalization of the world economy can be compatible with the increased emphasis placed on ECDC, especially regionally, even among countries at various development levels. At a more general level, it can be asked how ECDC fits into the increasingly globalized and liberalized world economy of the second half of the 1990s.

19. There are objective reasons which might explain the economic rationale for this manifest choice of developing countries and perhaps shed light on the extent of the compatibility between globalism and ECDC. To begin with, the vast majority of developing countries have small economies, and even the biggest among them are relatively small by world standards. Such economies can be internationally competitive if they specialize in certain sectors and if they can participate in intra-industry trade flows, which are usually dominated by transnational firms. The first condition would obtain only for a few countries at a time, and the second is not usually the case for developing country firms. Hence, this option is not realistic for the trading strategies of the overwhelming majority of developing countries. To attain viable competitivity in the oligopolistic markets of international trade, developing countries have to accrue scale economies of all three types: internal, external and dynamic (see box). They will have to acquire and adapt appropriate technologies, attract the necessary foreign investment in non-debt-creating forms and pool their human and physical resources whenever possible.

20. Open and flexible ECDC serves to influence positively the expectations of investors, whether foreign or from within the group in question. In recent years, foreign investment, especially private direct foreign investment, has been a main engine for globalization, and at the same time, it has been an avenue for entering intra-industry networks, thereby increasing intra-industry

trade. By reducing all kinds of barriers and improving infrastructural links, open ECDC should reduce the costs of doing business and further improve competitiveness.

21. In recent years ECDC has been a mobilizing factor in the harmonization of economic policies, regulations and standards. If most of the groupings within their integration instruments include the same rules, procedures, standards and practices in line with those evolved in the Uruguay Round, then product standards, rules governing establishment of businesses and environmental regulations tend to become building blocks toward participation in the global economy. The same obtains when rules governing dispute settlement, anti-dumping measures and safeguard provisions are modelled on the WTO standards. In the process, ECDC ensures clarity, transparency and international standardization of rules and guarantees against all uncertainties, thereby increasing stability. Hence, it can be reasonably concluded that ECDC provides a natural bridge to effective participation in the global economy, and for the small developing countries it might furnish the only means to do so.

Analytic demonstration of the relationship between types of economies of scale and ECDC

Static internal scale economies, manifest in declining average costs in large-scale automated plants producing homogeneous products, have historically been associated with manufactures. This type of scale economies can also be in the form of product specialization resulting in comparative cost advantages. While such static scale economies figured prominently in the now discarded import-substitution strategies of the 1960s, export promotion strategies in liberalized trade-regimes provide compelling arguments for intra-developing-country trade. This is observed by the high capital intensity and large-scale nature of products traded among developing countries, especially countries of different sizes.

Internal scale economies can also be associated with product differentiation which is viable for both small and large developing economies. As a contemporary phenomenon, they have been associated with subcontracting to transnational firms of decentralized production. Empirical evidence suggests that such intra-industry flows predominate in countries of similar levels of development. Aside from the transnational trade circuit, this trade among developing countries, by promoting specialization, is trade-creating in both types of products, intermediary and final. And such production capabilities not only increase the symmetry of benefits of South-South trade, but might also have a dynamic effect in promoting the creation and expansion of developing country transnationals through business alliances.

External economies are associated with cross-sectoral complementarities and forward-backward linkages generated by input-output relationships. They are however not limited to production; they extend to marketing and management methods as well, and they accrue to both primary-commodity and manufactures trade. Such economies are at the heart of important political economy considerations underscoring many developing countries' policies aiming at acquiring an appropriate share of production capabilities and thereby securing development and growth via specific industries making for growth poles in the economy. This was very clear in the experience of successful traders in the new industrializing countries in East and South Asia. When sectoral experiences are transferable across the economy they cause what Myrdal called macro-economic "cumulative causation". ECDC provides a more hospitable environment for this type of growth strategies than mere direct participation in the global economy which is driven by static efficiency considerations. If ECDC involves similarity in human resources development and cost structures, then such micro or macro sectoral effects are more likely to take place under ECDC than otherwise. Moreover, the acquisition of an appropriate or a fair share of production capabilities enhances the symmetry of benefits of trade and protects small countries against marginalization in the world economy, two important political economy considerations.

Dynamic economies of scale are associated, according to recent trade theory literature, with the accumulation of knowledge and adaptation of technology to fit the circumstances and experience of a developing country in technological applications, as well as generating endogenous technology. This is a part of "learning by doing". ECDC provides a less costly route for this learning process: developing country markets are more familiar to their firms than global markets and the costs involved in doing business are lower. The products generated by the technological adaptation, and indeed by endogenous technologies, are typically better suited to demand in these markets, which tend to have similar characteristics in countries at similar levels of development. The result is a dynamic interaction among the acquisition of technology, productivity increases and growth.

22. It is perhaps against this backdrop that the concept of "open and flexible ECDC" developed in this paper should be understood. This concept is more general than, but still close to, what has been called in Latin America "open regionalism". Its policy contents consist of wide-ranging liberalization in markets, sectors and composition of groupings. By not emphasizing geographic space and trying ad hoc and sectoral links, as appropriate, "open and flexible ECDC" emphasizes the concept of viable economic space. 13/

23. After the second session of the Standing Committee, the new World Trade Organization (WTO) was established on 1 January 1995 with wider scope and improved rules governing international trade in goods, services, investments and intellectual property. Virtually all aspects of merchandise trade and significant parts of trade in services have now been brought under a system based not only on comprehensive law and transparent rules and mechanisms, but also on the concept of market efficiency and reduced scope of national trade policy independence. The general trade liberalization and the overall openness in the global economy offers opportunities, as well as posing new challenges.

24. The process towards a global market, already set in motion by the advances in worldwide information and communication networks, will be substantially accelerated by general trade liberalization in the wake of the Uruguay Round. Global international competitiveness requires that a new dimension be added to the concept of ECDC and integration mechanisms to enable them to serve as vehicles towards a general openness. The conventional protective logic should be gradually receding to give way to open and flexible ECDC. The demands of the global market will impose a greater premium on global competitivity. The role of common standards, broad macro-level policy coordination, intra-investment, technology exchange, joint industrial and production programmes, and joint research information cooperation will assume greater importance. This is a highly challenging phase for the integration and cooperation process in the developing countries. The integration and cooperation process faces the multifaceted task of adjusting to the new demands of global trade liberalization, remaining consistent with the multilateral system, catering to the needs of less or least developed partners, and improving and coordinating integration in the fields of trade, finance, investments and technology. It has also to establish appropriate linkages with the North.

25. Some groupings of developing countries are adopting policies and mechanisms which could respond to and adequately meet the current and future challenges of globalization and liberalization. In that process, they are building linkages and bridges with the world economy. Thus, for instance, the policy of Mercosur is to maintain solid and balanced relations with the principal economic poles in the North (NAFTA, European Union, Japan, Asia). A similar pattern of relationships is witnessed in ASEAN's relations with the so-called "Northern poles of growth". Similarly, in keeping with the concepts of "viable economic space", a flexible approach towards membership of groupings is being advocated. Under such an approach, countries beyond the region, as well as developed countries, could be involved in the integration and cooperation process. Another pragmatic approach being evolved for ECDC is to set different speeds for cooperation and devise mechanisms which enable the various partners to fulfil their ECDC commitments despite their specific macroeconomic problems.

26. In the new trading and economic environment, the need for mobilization of resources for investments in industrialization, technology, communication, banking and capital markets has assumed a new priority. Resources of developing countries are limited, and the financial position of several of them is uncomfortable, if not precarious. The debt overhang, particularly in Africa, does not leave sufficient surpluses for intra-regional investment flows. The only countries having such a capability are the more advanced developing countries, particularly the NIEs and the ASEAN countries. The experience of the ASEAN developing countries, as pace setters in generating ECDC, is attributable in large measure to their ability to mobilize resources for intra-investments and to procure outside investments from their Northern development partners. This aspect of ECDC justifies learning from each other through sharing of experiences and cross-fertilization of ECDC processes and modalities. At the same time it confirms the need to dialogue with the North to obtain financial and technical support for launching various ECDC initiatives involving ECDC recipients and donors. In most cases, the outside support will be designed as "seed money" and in certain other cases as a catalyst to help the take-off of various ECDC initiatives.

B. Recent ECDC-related events of relevance to the future work programme of the Standing Committee

27. Developing countries have been advancing rapidly on the ECDC front in the belief that ECDC is a viable strategy both for development and for helping their economies to integrate into the competitive global economy. The revitalization of their integration process, which started in response to the emergence of the major trading blocks (NAFTA, APEC, European Union), has continued unabated while adding new dimensions, notably of linkages with the North. 14/ At the interregional level, the second round of negotiations for deepening and enlarging the Global System of Trade Preferences started recently. Also recently, an Asia-Africa Forum was held in Indonesia (12-16 December 1994) 15/ to strengthen South-South cooperative links and share experiences. The President of Indonesia, who is also the Chairman of the Non-Aligned Movement, considered that South-South Cooperation is an endeavour for developing countries in the face of "the increasingly strong globalization and economic openness today". 16/

28. Important moves have also been made within the United Nations framework to strengthen ECDC. At its forty-eighth session, the General Assembly, as a follow-up to the report of the South Commission, 17/ requested "the Secretary-General to present a comprehensive report entitled 'State of South-South Cooperation' containing quantitative data and indicators on all aspects of South-South Cooperation and to be prepared with the help of all relevant organizations of the United Nations, including in particular the United Nations Conference on Trade and Development (UNCTAD)". 18/ Subsequently, on the occasion of its thirtieth anniversary, the Group of 77, in a Ministerial Declaration, reaffirmed, inter alia, its "strong commitment to strengthen South-South Cooperation ...". It also established a "Joint Coordinating Committee" between the Group of 77 and the Non-Aligned Movement on South-South and North-South cooperation. 19/ Later on, Ministers of Foreign Affairs of the Group of 77 calling for a United Nations-sponsored international conference on South-South Cooperation, inter alia, stated:

"The Ministers reaffirmed their commitment to South-South Cooperation as a necessary and viable strategy for greater collective

self-reliance for national, regional and global development, and as a major mechanism for the promotion of growth and accelerated development. The dynamism introduced through such cooperation would also contribute to strengthening the world economy and restructuring of international economic relations. The United Nations system and the developed countries should support such cooperation, including through financial and technical assistance. To that end, the Ministers called upon the United Nations to consider convening an International Conference on South-South Cooperation in 1996". 20/

29. At its forty-ninth session, the General Assembly, in a subsequent resolution, while referring to the Secretary-General's report on "State of South-South Cooperation", inter alia requested the Secretary-General "to present to the Assembly at its fiftieth session a comprehensive overview and analysis of South-South cooperation worldwide entitled 'State of South-South Cooperation' and containing recommendations to strengthen such cooperation, keeping in view the proposal to convene a United Nations conference on South-South cooperation". 21/ Within the same resolution, the General Assembly decided to convene an intergovernmental meeting of experts in New York in 1995. That meeting, with a view to expanding South-South cooperation on a global scale, is mandated to recommend "practical modalities and substantive issues to be taken into account by the Secretary-General" in undertaking the report on the "State of South-South Cooperation". In that process, it has to take into account the outcome, inter alia, of the third session of the Standing Committee on ECDC.

30. The developed countries are increasingly supporting South-South cooperation. For example, the DAC/World Bank/UNDP Seminar held in Paris in June 1994 also called for increased emphasis on South-South cooperation in the context of an overall strategy for improving the effectiveness of multilateral technical cooperation in the 1990s. Similarly, during the forty-ninth session of the General Assembly, the Japanese delegation, referred to South-South cooperation, through sharing of experience and technology among developing countries. He also informed the Assembly about Japan's intention to suggest concrete plans for the promotion of South-South cooperation around the globe. 22/

IV. ISSUES AND PROPOSALS FOR REORIENTATION OF THE ECDC WORK PROGRAMME

A. Issues identified at the second session of the Standing Committee on ECDC

31. In the context of the changed political and economic environment, at its second session the Standing Committee reviewed its work programme and decided to give "sharper focus to the work in a selected number of areas which hold the promise of having a significant impact on the economies of developing countries within a reasonable time span and, at the same time, of enabling the Committee to report more concrete achievements to the next Conference." 23/

32. Within the above selective approach, the Standing Committee identified the following specific areas: 24/

(a) "Special attention to measures for increasing the effectiveness of trade liberalization regimes in regional integration arrangements";

(b) "Dialogue and cooperation among developing countries to exchange experiences and provide mutual support and assistance in critical areas";

(c) Use of technical cooperation among developing countries as a mechanism for ECDC, including technical assistance "for assessing and implementing the Uruguay Round agreements";

(d) Ways and means of ensuring further "integration of the enterprise sector in ECDC processes";

(e) "Partnership dialogue" for discussing the role of developed countries and their institutions in the ECDC process and precise ways in which they can support ECDC initiative;

(f) Other issues:

- Undertaking "consultations with the regional development banks with a view to formulating and implementing a programme of technical and financial support of specific ECDC actions for trade financing";

- Exploring the "possibility of joint actions between the North and South in the areas of investment, production and marketing";

- Identifying "specific possibilities in the context of intra-regional cooperation measures in support of trade expansion, joint production, marketing, investment, technology, transport and communication".

B. Proposed future orientations for the work programme

33. The areas identified at the second session of the Committee, together with the outcome of the third session in the areas of monetary, financial and investment cooperation, as well as cooperation among the enterprises of developing countries, should serve as the basis for the future work programme on ECDC. To assist the Committee in setting the orientation of this programme, the considerations set out in the following paragraphs might be of help.

1. Regional integration and trade liberalization regimes

34. Bearing in mind the work of the regional economic commissions in their respective regions, UNCTAD should focus its attention on the global and interregional dimensions of ECDC and delve into specific sectoral areas such as trade, monetary and financial cooperation where it has expertise, accumulated experience and comparative advantage. For example, its perspective on regional integration and cooperation should be from the standpoint of consistency with broad international trends and developments with a view to suggesting strategies, policies, actions and options conducive to making such cooperation and integration a conduit and a building block towards more effective participation in the global economy. UNCTAD should put

at the service of interested countries and groupings its specialized expertise and conclusions drawn from comparative experiences to make open and flexible ECDC a means of participation in the global economy.

35. In addition, UNCTAD, upon request, could also initiate research, study or other actions on integration themes and requirements of specific region or grouping. UNCTAD's involvement on those issues will thereby become "demand-driven" in its areas of expertise.

36. UNCTAD should encourage different groupings to learn from each other's integration experiences. One phenomenon on which a comparative study could be made and from which lessons could be drawn is that of the process of interregional and international linkage which has recently gained momentum within some more advanced groupings like ASEAN and Mercosur. The European Union, during the second session of the Standing Committee on ECDC, cited examples of its "various cooperation initiatives with groupings of developing countries", and the "European Union's dialogue with Latin America, the Mediterranean Basin and Asia" as a "good institutional and financial framework for close interregional cooperation". 25/ Thus, a long-term interregional association and a framework agreement for mutual commercial and economic cooperation between Mercosur and the European Union is reportedly being worked out. Within the American continent, a linkage between Mercosur and NAFTA is also a distinct possibility. Moreover, Chile is interested in joining Mercosur and was also invited to adhere to NAFTA during the American Summit (11 December 1994, Miami), which will allow Chile to play a bridging role between the two groupings. 26/ Such examples and experiences have a good potential for study and transportation to other integration processes in selected regions and settings. The approach involving exchange of integration experiences was tried earlier in UNCTAD and was quite well received. A study on the integration experience of ASEAN was prepared, and one of its conclusions was that "the ASEAN integration process, as well as the national policies of its member countries, are seen to be highly instructive for other regional economic cooperation and integration groupings of developing countries". 27/

2. Dialogue and cooperation among developing countries to exchange experiences: Country-level ECDC

37. The exchange of experiences on ECDC has the potential to go beyond pure integration experiences. There are several ad hoc initiatives on ECDC, which, without being routed through any integration frameworks, have found success in informal settings involving a nucleus of interested developing countries. These are examples of "open and flexible ECDC". For instance, the Group of Fifteen 28/ is currently pursuing several ECDC projects based on the principle that "if a core group of countries are ready to initiate and implement joint action for mutual benefit, they should go ahead while making sure that their actions do not prejudice the basic interests of developing countries which are not yet ready to participate". 29/ Such projects are coordinated by a specified developing country. Currently 12 ECDC projects within this framework are being coordinated by several G.15 member countries.

38. Similarly, ECDC initiatives like the Malaysia South-South Association (MASSA) 30/ for promoting Malaysian trade and economic ties with the South

at the private sector level and its subsidiary consortium company, Malaysia South-South Corporation (MASSCORP), 31/ provide useful examples. MASSCORP has been successful in establishing several joint ventures in Asia, Africa and Latin America. Such a country experience could be instructive in engendering ECDC in the national policy strategies of other developing countries.

39. The "growth triangles" within ASEAN are yet another example to be emulated for the purpose of mobilizing surplus investments in specified border zones of adjoining countries.

3. Technical cooperation as a mechanism for ECDC, including technical assistance on implications of the Uruguay Round

40. Within the scope of technical cooperation as a mechanism for ECDC, the future work programme of the Committee could be built around the following possibilities:

(a) Some developing countries have their own TCDC technical cooperation programmes. For instance, in the past India, under its technical assistance programme, provided on-the-job-training to senior and middle-level State trading officials of English-speaking Africa within various Indian State trading organizations. This project was backstopped by UNCTAD. The Malaysian Technical Cooperation Programme (MTCP) for developing countries is even more ambitious and wide-ranging. The working and performance of such TCDC efforts and initiatives could also be instructive for the Committee. They could also provide a basis to be followed in other more advanced developing countries which have either not yet allocated any technical and financial resources for ECDC/TCDC or have only rendered modest support to that process within their national strategies;

(b) Several integration groupings are currently studying the impact of the results of the Uruguay Round on their different integration instruments, on the preferences they have extended to each other and on the consistency of their schemes with the new international rules. Beyond that, as chapter II of document TD/B/CN.3/14 demonstrates, there are many issues which deserve political attention and substantive consideration by the developing countries in general and members of cooperation groupings in particular. Those issues include the questions of subsidies, dispute settlement, regional industrial policies and treatment of foreign investment. There are also issues that pertain to the representation of groupings in future negotiations. In all of those, UNCTAD, which has a long and established expertise in these domains, can extend an effective programme of technical assistance, at the request of interested members and groupings;

(c) UNCTAD could also, on request, provide advisory and research services on specific questions of conformity of the existing or forthcoming Customs unions, free trade areas and other similar special arrangements of developing countries with GATT's Enabling Clause or the provisions of Article XXIV. UNCTAD's approach in those matters would go beyond purely legalistic considerations of conformity to include developmental dimensions. 32/ Technical assistance under this item could assist members of groupings at the initial conception of preferential arrangements and later on for properly defending the consistency with GATT of these preferential

frameworks (Customs unions or free trade areas). This could enable those groupings to meet prospective objections, for example on: (i) erecting trade barriers additional to or above what existed prior to the formation of a free trade area; (ii) the adverse impact on MFN trade liberalization; or (iii) mutual conformity of the Common External Tariff (CET) and national tariff schedules.

4. Integration of the enterprise sector in ECDC processes

41. The need to ensure further integration of the enterprise sector in ECDC processes is an area in which UNCTAD's information base, contacts and potential need to be fully exploited. Under its current approach, UNCTAD has arranged interregional business contacts among enterprises involving African entrepreneurs on the one hand and Asian and Latin American entrepreneurs on the other. Similarly, progress is being made in preparing blueprints for interregional cooperation among entrepreneurs from export processing zones (EPZs) scattered in the different developing regions. UNCTAD could play a catalytic role in organizing direct contacts between enterprises of developing countries to formulate and implement programmes in various areas, including in particular:

- Acquiring shares in privatized enterprises;

- Joint investments in agricultural and industrial production and in building transport and communication infrastructures and in the services sector;

- Collaboration in TCDC through the provision of training by entrepreneurs from more advanced developing countries to the less advanced developing countries;

- Joint ventures in trading (goods and services) enterprises;

- Collaboration in R & D, and the adaptation and transformation of technology by the enterprises.

42. Given the comparative weakness of the African enterprise sector, the broad thrust of this component of ECDC should pay particular attention to creating greater linkages between African enterprises and the rest of the developing world in Asia and Latin America. This approach is recommended since most Asian and Latin American countries have their own information and business networks, while a number of African countries are well behind in that respect. By the same token, small- and medium-sized enterprises should be the first to be involved in this process.

43. Enterprise cooperation should envisage predominantly operational types of activities (seminars, business forums). Similarly, its TCDC component could emphasize training trainers in Africa to help start new businesses.

5. Partnership dialogue (regular consultations, Intergovernmental Group of Experts)

44. Under the heading of "Partnership dialogue", at its second session the Standing Committee endorsed the agreed conclusions of the Intergovernmental Group of Experts on Economic Cooperation among Developing Countries, and recommended their implementation. 33/ Those recommendations have provided a wide range of issues to be covered by donor-recipient dialogue in the future, including, inter alia, the following:

(a) Broad areas and directions which the dialogue should focus on such as exchange of integration experiences, 34/ structural adjustment issues, national capacity-building for ECDC;

(b) Need to establish linkages and cooperation between UNCTAD and DAC, the United Nations regional commissions, and other international and regional organizations in supporting and technically back-stopping the dialogue;

(c) Specific and priority areas and programmes having better prospects for international support, such as "open and flexible ECDC" and recent moves towards open regionalism making South-South cooperation increasingly attractive for international support, interregional dialogue, and involvement of private-sector investment projects. 35/

45. The Committee is provided with an inventory of suggestions in document TD/B/CN.3/14, paragraph 61, whereby "regular consultations" could operationalize the pragmatic policy dialogue among concerned participants. The dialogue could also benefit from the existing experience in ASEAN, an example of successful dialogue partnership. Similarly, SADCC's dialogue relationship is another successful example to be emulated.

46. The regular consultations could be greatly enhanced if the dialogue results in outcomes such as the following:

(a) Concrete donor support and commitments for specific ECDC projects and programmes;

(b) A process of improvement in the development assistance programmes of the donors;

(c) A process of prioritization and rationalization of ECDC projects and programmes seeking support.

Such an approach would give the process credibility in the eyes of the developing countries and their ECDC actors (recipients), which would ensure the active attention and participation of potential ECDC entities in this effort.

6. Monetary and financial cooperation

(a) Work towards a global scheme of payment arrangements among developing countries (GSPA)

47. The theme of monetary, financial and investment cooperation is being dealt with comprehensively under agenda item 3. 36/ The present ECDC work programme on monetary and financial cooperation has now reached the point from where it should take off towards operational frameworks for cooperation. Developing countries are keener and keener to see the tangible results of those efforts.

48. The approach adopted in the GSTP in the trade field provides a good example for the financial field. One of the reasons for the success of the GSTP was the simple approach of reciprocal bilateral agreements which are extended multilaterally to all GSTP participating countries. In the financial field, a similar initiative was taken by the Group of 15 at Kuala Lumpur in June 1990. The Group agreed to establish "a financial mechanism for the promotion of trade among South countries" in two stages. Stage one consisted of "bilateral payments arrangements between pairs of countries", while the second stage envisaged multilateralization of those bilateral payments arrangements, thereby establishing "a multilateral interregional payment system". 37/ LAIA has also set out a scheme to multilateralize existing bilateral payment arrangements, and this furnishes a model that can be used in this process.

49. Since bilateral payment arrangements are already widely used by developing countries to provide bilateral financial supportive mechanisms for engendering and promoting their mutual trade, there is a good case for their multilateralization. Their cumulative effect has the advantage of broadening the canvas of intra-settlements and mutual offsets of debits and credits.

50. In such a content, UNCTAD's future work programme could be geared towards supporting the establishment of a global scheme of payment arrangements among developing countries (GSPA). This will involve technical studies and a substantial degree of preparatory work, in collaboration with Governments and their central banks.

51. Similarly, with the aim of involving regional development banks along with UNCTAD in promoting South-South trade finance, a list of recommendations on possible joint undertakings aiming at promoting, inter alia, interregional trade finance availability is presented in document TD/B/CN.3/13. Moreover, that document provides suggestions on technical assistance to existing developing country facilities using the expertise of UNCTAD and the regional banks in this domain (see paras. 41 to 44).

(b) Capital markets: analysis, comparison, policy guidelines

52. In capital market cooperation, an element of operational activities deserves to be included. This could be achieved by doing pilot country and regional studies on the feasibility and modalities of such cooperation. This could also become a basis for other developing countries in restructuring and re-orientating their own policies on capital markets. Inter-country seminars

and workshops could identify suitable policy guidelines and options for developing this cooperation, as well as promoting the efficacy of capital markets. The involvement of regional development banks and other relevant international financial institutions would be an important factor in the success of such an approach.

(c) Macro-economic coordination

53. Last but not least, future work in this sector should be supportive of broad macro-economic coordination of monetary and financial policies of developing countries. That aspect, as yet missing, should be evolved in collaboration with the existing IMF/World Bank G-24 machinery and the WTO.

7. New issues for the ECDC agenda

(a) The special situation of Africa and economies in transition within ECDC

54. The process of globalization is essentially based on industrial manufactures, advances in technology, and improvement of information networks which are either lacking or rudimentary in most of Africa. The trend towards the creation of large regional economic spaces and vast free-trade zones, and the concentration of world trade in some countries to the exclusion particularly of the poorest countries has raised apprehensions about such exclusion and pointed to the need for concrete steps to be taken on a priority basis. Africa as a region might move deeper and deeper into marginalization, and in designing a South-South cooperation strategy special attention needs to be given to sub-Saharan Africa to enable it to play a greater role in the world economy.

55. The overall levels of industrial production in African countries have diminished in the last 15 years and their share in manufacturing value added decreased significantly by an annual rate of -2.4 per cent between 1975 and 1987 and -0.3 per cent between 1985 and 1992. Their industrial tissue has thus significantly deteriorated. 38/ For Africa, to be involved in the process of globalization, it needs to be helped to industrialize and as appropriate to process its commodities and raw materials into industrial manufactures. In that process, open and flexible ECDC has a critical role to play, given the small size of the African economies, as a strategy of growth and development to achieve economic viability. An effective response for Africa would be to carry out community projects based on geographic or other forms of proximity and to support all joint institutions which have a potential, particularly in stimulating production for national and intra-regional trade, as well as improving competitiveness, in general, of African interregional exports.

56. The most diversified economy in Africa, namely South Africa, could not play its potentially dynamic role in energising and advancing the neighbouring African economies during the apartheid period. Post-apartheid South Africa could generate growth impulses and spearhead the process of industrialization, growth and restructuring in the rest of the African economies. For Southern Africa, and to a lesser extent Central and East Africa, South Africa could be a locomotive for the advancement and development of the countries of these subregions - as indeed is already the case for Botswana, Lesotho, Namibia and

Swaziland - by cooperating in such fields as transportation, power, water, telecommunications, human and animal health and technological research, etc. The impact of such a role for South Africa might not be very strong initially due to the need for South Africa to address domestic issues urgently, in particular, extending the benefits of the modern economy into South Africa's peripheral areas. Of course a vibrant regional economy/market would facilitate South Africa's domestic endeavours, since the countries concerned also provide market outlets for South Africa's manufactured goods. However, this does not mean that the task of stimulating and generating growth in Africa and redressing its economic marginalization could be left to developing countries alone, much less to South Africa. African problems are of immense magnitude and require concerted effort on the part of the entire global community.

57. Africa, more than any other developing region, needs agricultural growth and industrialization, investment, technology transfer, human resources development, marketing capabilities, commodity diversification programmes, and information-based technology and training. In working out sectoral or multisectoral programmes and projects for the development of sub-Saharan African countries, the developed countries and the relevant international organizations and financial institutions should, inter alia, adopt South-South cooperation as a modality and means to achieve those projects. On the other hand, different ECDC programmes designed by developing countries in partnership with the sub-Saharan African economies should be lent financial and other types of support and assistance from developed donors and international financial institutions. In so far as African needs in the areas of economic integration are concerned, intensification of work is recommended on these priority areas: strengthening regional infrastructures, transit facilities, transport and communications, support for structural adjustment programmes at a subregional level, harmonization of policies, enhancing the role of the private sector and human resource development.

58. Developing economies in transition, including Viet Nam, the Lao People's Democratic Republic and Cambodia, also need to be separately mentioned. The location of the latter countries in South-East Asia has enabled them to cultivate certain South-South linkages. Asian NIEs, the ASEAN "growth triangle", and South-West China, with their more advanced levels of industry, provide ample basis for economic and technological cooperation. Most of the other developing economies in transition (e.g. the Central Asian countries), like the African countries, had vertical integrative linkages with the North. Their problems are both developmental and systemic, for both of which they require assistance. Some of their developmental problems could be solved through injection of FDI from all sources, including developing countries in a position to do so. In that respect, however, their immediate neighbours lack sufficient surpluses to invest in them, which leaves an important role to be played by the more advanced developing countries (e.g. the ASEAN countries and NIEs). To deal with their systemic problems, a programme of technical assistance will need to be evolved based, inter alia, on exchange of experiences with other developing countries. They could thereby learn to develop new legal infrastructures and institutional set-ups in consonance with the new requirements of a market economy.

(b) Involvement of NGOs and the private sector in ECDC

59. The process of liberalization and the receding role of the public and state sector in the economies of developing countries requires the well thought-out and planned involvement of the non-governmental and private sector in giving new contours to the future process of ECDC. The current purely intergovernmental framework of discussions on ECDC issues has to be broadened to allow for the participation of non-governmental ECDC actors. That in itself, in the course of time, should assist in reorienting and refocusing the ECDC agenda. The private sector is already involved in many integration arrangements (ASEAN, SAARC, ECO). At the UNCTAD level, the participation of NGOs and the private sector in the ECDC process at the level of the Standing Committee or its subsidiary bodies also needs to be reflected upon.

60. The foremost ECDC issues in which the participation of the private sector and NGOs is justified are enterprise cooperation and the "regular consultation". To facilitate the launching of these processes, new channels of communication between UNCTAD on the one hand and NGOs and other private sector interest groups on the other also deserve to be established.

Notes

1/ See TD/364 (Report of UNCTAD VIII), part one, sect. A, para. 229.

2/ Ibid., para. 70.

3/ Trade and Development Board decision 398 (XXXVIII).

4/ See TD/364, part one, sect. A, para. 76.

5/ See "Report of the Standing Committee on Economic Cooperation among Developing Countries on its first session" (TD/B/39(2)/16-TD/B/CN.3/5), para. 40.

6/ Ibid., annex II, para. 4.

7/ Ibid, para. 42.

8/ See document TD/B/CN.3/13 on agenda item 3 and document TD/B/CN.3/14 on agenda item 4.

9/ See also document TD/B/CN.3/14; for a detailed discussion on "Regular consultations", see chapter III of that document.

10/ See TD/B/CN.3/14.

11/ General Assembly resolution 47/18 of 23 November 1993 on cooperation between the United Nations and the Organization of the Islamic Conference.

12/ TD/B/CN.3/8, and TD/B/CN.3/9 presented to the second session; TD/B/CN.3/3, and UNCTAD/ECDC/228 presented to the first session of the Standing Committee.

13/ See, on "open regionalism", ECLAC, Open regionalism in Latin America and the Caribbean, Santiago, Chile, 1994. The similarity between "open regionalism" and "open and flexible ECDC" should not mask differences in the concepts. The latter can be sectoral and project-based. Consequently, it has no necessary geographic confines or institutional pertinence and, because of that, it is typically demand-driven.

14/ See also para. 36 below.

15/ See DPI Press Release Dev/2047 of 12 December 1994: this five-day Forum was jointly organized by the United Nations Development Programme (UNDP), the Global Coalition for Africa and the Government of Japan.

16/ Ibid.

17/ The Challenge to the South. The Report of the South Commission, Oxford University Press, 1990.

18/ See General Assembly resolution 48/164 of 21 December 1993, entitled "Follow-up to the report of the South Commission".

19/ Ministerial Declaration adopted by the Special Ministerial Meeting of the Group of 77, held at United Nations Headquarters in New York on 24 June 1994 on the occasion of the thirtieth anniversary of the Group.

20/ See Ministerial Declaration (G-77/MM(XVIII)/94/DEC), Eighteenth Annual Meeting of the Ministers of Foreign Affairs of the Group of 77, New York, 30 September 1994.

21/ See General Assembly resolution 49/96 of 12 December 1994, entitled "Sustainable development and international economic cooperation".

22/ See the statement of the Deputy Prime Minister and Minister for Foreign Affairs of Japan to the forty-ninth session of the General Assembly on 27 September 1994.

23/ Agreed conclusions of the second session of the Standing Committee on ECDC (TD/B/41(2)/7, annex I), para. 3.

24/ Ibid., paras. 4-7.

25/ See "Report of the Standing Committee on ECDC on its second session (TD/B/CN.3/11), para. 13.

26/ See Le Monde, 18-19 December 1994, under the caption: "The Mercosur Accord signed by Argentina, Brazil, Uruguay and Paraguay - the Southern American Cone creates a common market of 200 million persons". Mercosur: Southern Cone Market took effect from 1 January 1995, establishing a free trade area in the Southern Cone with a market size of around nearly US$ 11 billion in 1994.

27/ See "Exchange of experiences among groupings of developing countries: An evaluation of the ASEAN experience", Report by the UNCTAD secretariat (UNCTAD/ECDC/331), 25 September 1992.

28/ Also called "the Summit Level Group of Developing Countries", established at the Ninth Non-Aligned Summit meeting, Belgrade, May 1989.

29/ See booklet "The Summit Level Group of Developing Countries, Group of Fifteen", January 1991.

30/ See Malaysia International Trade and Industry Report, 1994: South-South Cooperation, p. 102.

31/ Ibid.

32/ In the past, the GATT scrutiny of preferential arrangements has traditionally been quite rigorous. So far, out of numerous preferential trading arrangements notified to the GATT, only a few have been deemed by consensus to be in conformity with GATT. Of all GATT articles, Article XXIV is known to have been one of the most abused ones. (See Patterson, Implications of the GATT and the World Trading System in Free Trade Areas and US Trade Policy, Institute for International Economics, Washington, DC, 1989.)

33/ See Report of the Standing Committee on ECDC on its second session (TD/B/CN.3/11), para. 6.

34/ See also "Regional, subregional and interregional economic cooperation and integration among developing countries: exchange of experiences among groupings of developing countries: An evaluation of the ASEAN experience, Report by the UNCTAD secretariat" (UNCTAD/ECDC/331). That report discussed at length the mechanism of "dialogue partnership" between ASEAN and its several donors, including EEC, the United States, Canada and others.

35/ See "Report of the Standing Committee on Economic Cooperation among Developing Countries on its second session" (TD/B/CN.3/11), annex I, appendix, on "Recommendations of the Intergovernmental Group of Experts on Economic Cooperation among Developing Countries, which met in Geneva, 27 June to 1 July 1994".

36/ See document TD/B/CN.3/13.

37/ See "The Summit Level Group of Developing Countries, Group of 15", by Technical Support Facility, Summit Level Group of Developing Countries, Geneva, Switzerland (January 1991).

38/ See Statement of Director General of UNIDO for ACC Forum, Vienna, Austria, March 1995.

Annex

A. Policy level and background documentation provided by the UNCTAD secretariat in connection with the Work Programme of the Standing Committee on ECDC

1. Documents submitted to the first session of the Standing Committee on ECDC

(i) Policy documents

1. "Issues for consideration in the establishment of the work programme: note by the UNCTAD secretariat" (TD/B/CN.3/2)

2. "Review of major developments in the area of economic cooperation among developing countries: report by the UNCTAD secretariat" (TD/B/CN.3/3)

(ii) Background documents

3. "Regional and subregional economic integration and cooperation among developing countries: adjusting to changing realities: the African case, report by the UNCTAD secretariat" (UNCTAD/ECDC/228)

4. "Report of the expert group meeting on regional and subregional economic integration and cooperation among developing countries" (UNCTAD/ECDC/229)

5. "Report of the United Nations Chitose Forum on South-South Economic Cooperation with particular reference to Asia and the Pacific" (UNCTAD/ECDC/231)

6. "Regionalization and integration into the world economy in the 1990s: the Latin American experience in trade, monetary and financial cooperation" (UNCTAD/ECDC/234)

7. "Regional, subregional and interregional economic cooperation and integration among developing countries: exchange of experiences among groupings of developing countries: an evaluation of the ASEAN experience, report by the UNCTAD secretariat" (UNCTAD/ECDC/331)

2. Documents submitted to the second session of the Standing Committee on ECDC

(i) Policy documents

1. "Strengthening subregional and regional integration and fostering interregional cooperation, as well as promotion and expansion of trade among developing countries, report by the UNCTAD secretariat" (TD/B/CN.3/8)

2. "Review of major developments in the area of economic cooperation among developing countries, including regular consultations and technical support, assistance and skill development, report by the UNCTAD secretariat (TD/B/CN.3/9 and Add.1)

3. "Review of major developments in the area of economic cooperation among developing countries, including regular consultations and technical support, assistance and skill development, note by the UNCTAD secretariat", (TD/B/CN.3/Misc.2)

3. Documents being submitted to the third session of the Standing Committee on ECDC

(i) Policy documents

1. "Enlarging and deepening monetary, financial and investment cooperation among developing countries and promoting cooperation of the enterprise sectors of developing countries" (TD/B/CN.3/13).

2. "Evaluation of major developments in the area of economic cooperation among developing countries, including implications of the Uruguay Round results on ECDC arrangements and regular consultations, technical support, assistance and skill development" (TD/B/CN.3/14).

3. "Review of the Work Programme of the Standing Committee on ECDC, with special emphasis on the preparations for UNCTAD IX" (TD/B/CN.3/15).

(ii) Background documents

4. Country Study on Malaysia (UNCTAD/ECDC/247)

5. Country Study on Venezuela (UNCTAD/ECDC/248)

6. Country Study on Zimbabwe (UNCTAD/ECDC/249)

4. Reports submitted to the Intergovernmental Group of Experts on ECDC

1. "Review and analysis of the development objectives and external assistance requirements of ECDC participants" (TD/B/CN.3/GE.1/2 and Corr.1)

2. "Scope and features of the subregional, regional and interregional components of development assistance programmes of the donor community" (TD/B/CN.3/GE.1/3)

3. "Preliminary suggestions regarding the improvement of the scope and effectiveness of subregional, regional and interregional components of development assistance programmes of the donor community" (TD/B/CN.3/GE.1/4)

4. Written contributions submitted by countries or by organizations (TD/B/CN.3/GE.1/Misc 1 to 14).

B. Other background and technical assistance documents prepared by the UNCTAD secretariat following the establishment of the work programme

1. "Regionalization and integration into the world economy in the 1990s: the Latin American experience in trade, monetary and financial cooperation" (UNCTAD/ECDC/234)

2. "Institutional cooperation among African and Latin American clearing and payments arrangements" (UNCTAD/ECDC/237)

3. "Clearing and payments arrangements among developing countries: recent developments, long-term policy considerations" (UNCTAD/ECDC/238)

4. "Review and prospects of monetary and financial cooperation between African and Latin American countries" (UNCTAD/ECDC/239)

5. "Analysis of trade and trade strategies among developing countries with a view to identifying potential areas of trade expansion and promoting and facilitating current trade among developing countries" (UNCTAD/ECDC/242)

6. "Impediments and disincentives to trade among developing countries: a survey" (UNCTAD/ECDC/244)

7. "Report of the eighth session of the Coordination Committee on Multilateral Payments Arrangements and Monetary Cooperation among Developing Countries, held in Santa Cruz de Tenerife, from 28 February to 1 March 1994" (UNCTAD/ECDC/245)

8. "The role of regional capital markets in enhancing resource mobilization and in promoting their efficient use: case studies on current initiatives and their policy implications" (UNCTAD/ECDC/246)

9. "The Asian Clearing Union: an assessment and prospects" paper prepared by Professor Ercan Uygur and for, and in collaboration with, the Division for Economic Cooperation among Developing Countries and Special Programmes.

10. "Development and international economic cooperation: Developments pertaining to the implementation of the recommendations of the report of the South Commission with special emphasis on South-South economic cooperation" (A/48/350). This report, constituting a document for the forty-eighth session of the General Assembly, was prepared at the request of the Under-Secretary-General for Political Affairs. Additionally, it substituted for a report planned for 1992-1993 entitled "South-South cooperation: Examination of trade, monetary and financial cooperation"

11. "Handbook of economic integration and cooperation groupings" (Vol. 1). This publication is expected to be released in the second quarter of 1995.

12. "Technological cooperation among developing countries: an examination of selected aspects" (preliminary version), Geneva, 28 October 1994 (UNCTAD/ECDC/Misc.127).

13. "Considerations regarding the evolution and impact of biotechnologies, with particular reference to developing countries", Geneva, 28 October 1994 (UNCTAD/ECDC/Misc.128).

14. "Regional workshop on R & D community - enterprise cooperation in technological research and commercialization/application of results: Introductory notes", Geneva, 29 October 1994 (UNCTAD/ECDC/Misc.129).